



To: Board of Trustees
From: Jan Goodwin, Executive Director
Date: July 31, 2024
Re: Executive Director Operating Report
Item: Action: ☐ Discussion: ☐ Informational: ☒

Significant Developments and Priority Issues

- COVID-19 Update: Maintaining status quo. The office is now welcoming walk-ins.

Previous Months Highlights – June and July

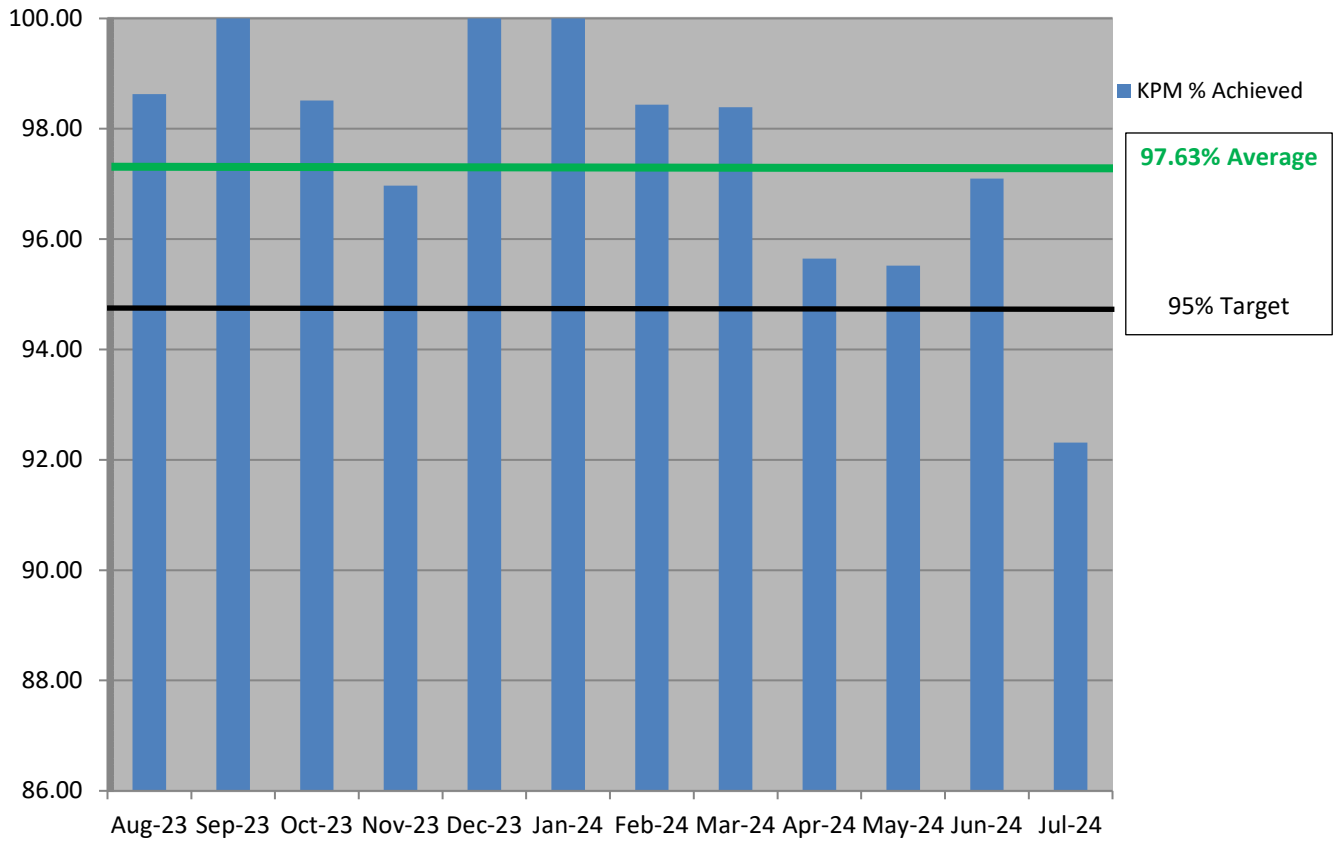
- The KPM scores for June and July were 97.10% and 92.31%, respectively. See 12-month rolling average chart, attached.
- PGV3: is 89% completed. We have completed the eighth month of our twelve-month warranty period. We continue to meet regularly with LRS to resolve bugs and set priorities for future enhancements. Staff continue to test new releases which contain modifications and improvements.
- It was a very busy June and July for Member Services with 609 July 1 retirements added to the rolls.
- 14 of the ED's KPMs were achieved for June and July (two were N/A).
- The ETeam has met several times to develop a two-year (FYs 25-26) Statutory Budget for the Board's consideration at the August meeting. This budget reflects the priorities outlined in the FYs 25-27 Strategic Plan adopted by the Board in June.
- Staff has reviewed the Employer Contribution rates for FYs 26-27, originally provided at the June Board meeting by GRS during its FY 23 Experience Study presentation, which will be presented for the Board's consideration at the August BOT meeting.

Upcoming Plans & Projects

- We continue to work on the rollout of the enhanced MyAccount, making changes to improve the user experience.
- We also continue our efforts to identify alternative office locations and analyze their financial impact.
- Cross-departmental implementation teams are meeting to develop plans to implement the three pieces of legislation passed in 2024.

Our Mission: To provide secure retirement benefits and superior service.

KPM Rolling 12-Month Average June/July 2024



Our Mission: To provide secure retirement benefits and superior service.

KPM MONTHLY REPORTING

June/July 2024

“No” answers must include a comment, whereas “Yes” answers can include a comment, but a comment is not required. N/A should be used only in cases where reporting is not required, i.e., task is quarterly (comment must so indicate).

	JUNE 2024			JULY 2024			
	ACHIEVED			ACHIEVED			
	YES	NO	N/A	YES	NO	N/A	COMMENTS
Overall Score	X				X		We achieved a 97.10% success ratio in June and a 92.31% in July. We failed on two (2) and five (5) KPMs, respectively.
Executive							
1. Distribute weekly email updates to all Trustees on or before the end of business on Friday of every week.	X			X			
2. Distribute weekly email updates to all staff on or before the end of business on Monday of every week.	X			X			
3. Prepare and distribute Board materials electronically by the Thursday before the Tuesday meeting.	X					X	
4. Post Board and committee meeting notices according to 91-A:2.	X			X			
5. Prepare minutes of Board and Board Committee meetings according to the timeliness guidelines in 91-A:2 and 91-A:3, with draft minutes for internal review ready by close-of-business on the Friday following the Board meeting.	X					X	
6. Prepare draft MTeam meeting minutes and forward to Executive Director for review within five (5) business days of meeting; to managers for review within seven (7) business days of meeting; and post final meeting minutes to the common drive within eight (8) business days of the meeting.	X			X			
7. Maintain expenditures at or less than Trust Fund Budget.	X			X			

KPM MONTHLY REPORTING

June/July 2024

	JUNE 2024			JULY 2024			
	ACHIEVED			ACHIEVED			
	YES	NO	N/A	YES	NO	N/A	COMMENTS
8. Maintain expenditures at or less than Board of Trustees Budget as reported by Finance in the most recent manager's report (1-month lag).	X			X			
IT							
1. All vital servers maintain an uptime of 99% or higher.	X			X			
2. All PensionGold requests are prioritized within thirty-one (31) calendar days.	X			X			
3. All TrackIT (help desk) requests are followed up with a conversation (phone/email) within four (4) business days.	X			X			
4. Maintain help desk survey scores above satisfactory marks of 95% or higher.	X			X			
5. All US-CERT email security advisories are placed into the help desk system to be addressed within two (2) business days.	X			X			
6. Respond to all phone calls within one (1) business day.	X			X			
7. Maintain expenditures at or less than IT budget as reported by Finance in the most recent manager's report (1-month lag).	X			X			
Finance							
1. Prepare the NHRS Annual Comprehensive Financial Report (ACFR): unaudited by October 31, and the audited ACFR by December 31, in accordance with generally accepted accounting principles.			X			X	
2. Reconcile operating bank account within 60 days of the end of the month.		X			X		This was not met as we continue to get caught up on our monthly bank reconciliations.
3. Produce and distribute monthly actual-to-plan-budget reports within ten (10) business days from the end of the prior month.	X			X			

KPM MONTHLY REPORTING

June/July 2024

	JUNE 2024			JULY 2024			
	ACHIEVED			ACHIEVED			
	YES	NO	N/A	YES	NO	N/A	COMMENTS
4. Produce the monthly financial statements (FS) for the Board of Trustees meeting at least three (3) business days prior to the scheduled Board mailing.			X	X			
5. Post all cash receipts for a month, for which we have received the associated voucher, into the pension benefit system (PensionGold) within ten (10) business days after the close of the month.			X			X	Suspended due to PGV3 implementation.
6. Issue all NHRS annuitant pension payments timely and accurately.	X			X			
7. File annual payroll tax return (form 945) for the annuity payroll by January 31.			X			X	
8. Reconcile all employer accounts sufficiently to allow for interest posting for the reporting month within ninety (90) days of the end of the reporting month, for which we have received all payments and back-up from employers.			X			X	Suspended due to PGV3 implementation.
9. Process all confirmed post-retirement electronic direct deposit change requests received by the date that the pre-note wizard is run in PensionGold and direct funds accordingly in the same month.	X			X			
10. Deposit all payments received at NHRS offices, with appropriate supporting documents, into local custodial bank within three (3) business days of receipt, with any payments secured on any intervening days.	X			X			
11. Annually for the preceding tax year, post electronic 1099-R forms to MyAccount by January 24 and mail hard copy 1099-R forms by January 31 of the subsequent year.			X			X	
12. Maintain expenditures at or less than Finance Budget as reported in the most recent manager’s report (1-month lag).	X			X			

KPM MONTHLY REPORTING

June/July 2024

	JUNE 2024			JULY 2024			
	ACHIEVED			ACHIEVED			
	YES	NO	N/A	YES	NO	N/A	COMMENTS
Investment							
1. Generate investment returns for three (3) and five (5) Year Total Fund Performance greater than the applicable Total Fund Benchmark measured quarterly .			X		X		Three- and five-year Total Fund performance trailed Benchmark by 77 and 34 basis points respectively as of June 30, 2024.
2. Generate investment returns for the long-term (25 years) Total Fund Performance greater than the applicable Actuarial Assumed Rate of Return (6.75%) measured each June 30 .			X		X		Total Fund has returned 6.28% over the trailing 25-year period.
3. Generate investment returns for three (3) and five (5) Year Total Fund Performance greater than the applicable peer universe median measured quarterly .			X			X	Peer universe median not yet available.
4. Complete the IIC's Private Debt & Private Equity Strategic Plan for the calendar year.			X			X	Reported annually in February for CY 2025.
5. Manage cash flow and make funds available for the payment of monthly retirement benefits, expenses and capital calls on or before the last business day of the month.	X			X			
6. Manage continuously the asset allocation within approved ranges and rebalance as appropriate.	X			X			
7. Maintain trading cost at or below median of applicable peer universe.	X			X			
8. Ensure all proxies are voted consistent with the Board approved Proxy Policy.	X			X			
9. Distribute complete and accurate Investment Committee materials to all members of the Investment Committee on the Friday before the regularly scheduled monthly Investment Committee meeting.	X			X			
10. Maintain internal expenditures at or less than	X			X			

KPM MONTHLY REPORTING

June/July 2024

	JUNE 2024			JULY 2024			
	ACHIEVED			ACHIEVED			
	YES	NO	N/A	YES	NO	N/A	COMMENTS
Investment Budget as reported by Finance in the most recent manager's report (1-month lag).							
Legal							
1. Assure no instances of statutory or regulatory non-compliance.	X			X			
2. Provide disability recommendations to the Benefits Committee within sixty (60) calendar days of receipt in the Legal Dept.	X			X			
3. Commence an adjudicative proceeding within sixty (60) calendar days of receipt of administrative appeal.	X			X			
4. Present a recommended decision to the Board within seventy-five (75) calendar days after the close of the record in an appeal.	X			X			
5. Perform employer compliance field audits; a rolling average of 1.5 audits per experienced auditor per month over the prior 12-month period.	X			X			
6. Present one (1) employer education session per quarter.	X			X			
7. Maintain expenditures at or less than Legal Budget as reported by Finance in the most recent manager's report (1-month lag).	X			X			
Member Services							
1. Calculate all preliminary retirement benefits within thirty (30) calendar days of member-requested date of retirement.	X			X			
2. Calculate 100% of final retirement benefits (EXCLUDING JULY applications) within seven (7) months of member requested date of retirement provided that all statutorily required documentation has been received and all wages have been reported.			X			X	Suspended due to PGV3 implementation.

KPM MONTHLY REPORTING

June/July 2024

	JUNE 2024			JULY 2024			
	ACHIEVED			ACHIEVED			
	YES	NO	N/A	YES	NO	N/A	COMMENTS
3. Calculate 100% of July final retirements within eight (8) months of member requested date of retirement provided that all statutorily required documentation has been received and all wages have been reported.			X			X	Suspended due to PGV3 implementation.
4. Schedule member meetings with Benefit Specialists within ten (10) business days of request.	X			X			
5. Issue all member retirement benefit estimates within thirty (30) business days of receipt of request.	X			X			
6. Enter member enrollment form data into Pension Gold (PG) within fifteen (15) business days of receipt.	X			X			
7. Process member refund requests within ninety (90) calendar days of receipt of written request.	X			X			
8. Process service purchases within fifteen (15) business days of request receipt.			X			X	Suspended due to PGV3 implementation.
9. Process additional contribution calculations within ninety (90) calendar days of receipt.	X			X			
10. Process all non-employer audit corrections related employer contribution refunds within sixty (60) business days of receipt.			X			X	No longer a Member Accounts function within PGV3.
11. Post all interest to member accounts within the month that Finance authorized the activity.	X			X			
12. Adhere to payroll “close” schedule for benefit setup balancing purposes.	X			X			
13. Process all pension changes within thirty (30) calendar days of receipt/notification.			X			X	Suspended due to PGV3 implementation.
14. Process retiree death benefit refund payments within sixty (60) calendar days following receipt of all required paperwork.			X			X	Suspended due to PGV3 implementation.
15. Establish survivorship benefit setup for payment within sixty (60) calendar days following receipt of all required death documentation and pension			X			X	Suspended due to PGV3 implementation.

KPM MONTHLY REPORTING

June/July 2024

	JUNE 2024			JULY 2024			
	ACHIEVED			ACHIEVED			
	YES	NO	N/A	YES	NO	N/A	COMMENTS
recoveries.							
16. Submit new recoupment cases to Recoupment Committee by next committee meeting following discovery.	X			X			
17. Initiate Recoupment/Benefits Committee recoupment decisions within seven (7) business days of decision.	X			X			
18. Review and balance updates submitted by employers and TPAs to PG for insurance rate changes received by the first business day of each month within four (4) business days.	X			X			
19. Complete monthly insurance non-rate changes by processing all authorizations received by the date the annuity payroll is posted with zero carryovers.	X			X			
20. Render QDRO qualification determinations within federal time limit guidelines.			X			X	Now carried out by legal department.
21. Maintain expenditures at or less than Member Services Budget as reported by Finance in the most recent manager's report (1-month lag).	X			X			
Human Resources							
1. Ensure compliance with all Federal, State and CBA rules and regulations as measured by no notices of violation.	X			X			
2. Respond to all payroll errors within one (1) business day and correct all payroll errors within one pay cycle.	X			X			
3. Reduce recruitment time for open staff positions to no more than forty-five (45) business days and open management/executive positions to no more than ninety (90) business days.	X			X			
4. Maintain expenditures at or less than HR Budget as reported by Finance in the most recent manager's report (1-month lag).	X			X			

KPM MONTHLY REPORTING

June/July 2024

	JUNE 2024			JULY 2024			
	ACHIEVED			ACHIEVED			
	YES	NO	N/A	YES	NO	N/A	COMMENTS
Communications/Legislative Affairs							
1. Schedule a minimum of thirty (30) online or in-person member/constituent education sessions each year.	X					X	This is an annual KPM.
2. Achieve ninety-five percent (95%) rating from members attending an-education session that the session was “completely/moderately” easy to understand.	X			X			
3. Meet all deadlines in editorial calendar.	X			X			
4. Monitor media coverage of NHRS and provide articles to Board, IIC and Staff within two (2) business days.	X			X			
5. Post updated legislative summaries on www.nhrs.org by the end of business every Friday throughout the legislative session.	X			X			
6. Prepare and deliver Quarterly Report to the General Court by January 1, April 1, July 1 and October 1.	X			X			
7. Maintain expenditures at or less than PIO Budget as reported by Finance in the most recent manager’s report (1-month lag).	X			X			
Internal Audit							
1. Prepare a Risk Assessment and Fiscal Year Audit Plan for the approval of the Audit Committee annually.	X					X	Not due in July.
2. Execute and present an engagement to the Audit Committee on a bi-monthly basis.	X					X	Not due in July.
3. On behalf of the external auditors, administer the GASB census data audits and provide the completed audits to the external auditors by the established due date.	X			X			
4. Prepare the updated NHRS Audit Issues Tracking Report for the Audit Committee and	X					X	Not due in July.

KPM MONTHLY REPORTING

June/July 2024

	JUNE 2024			JULY 2024			
	ACHIEVED			ACHIEVED			
	YES	NO	N/A	YES	NO	N/A	COMMENTS
Board of Trustees at least three (3) business days prior to the scheduled Board/Committee mailing.							
5. Distribute complete and accurate meeting materials to all members of the Audit Committee at least three (3) business days prior to the scheduled Audit Committee meetings.	X					X	Not due in July.
6. Prepare draft Audit Committee Meeting minutes for review within three (3) business day of the meeting.	X					X	Not due in July.
7. Maintain expenditures at or less than Internal Audit Budget as reported by Finance in the most recent manager's report (1-month lag).	X			X			
Contact Center							
1. Respond to all incoming emails within 24 business hours.	X			X			
2. Maintain an average speed of answer within two (2) minutes.	X			X			We maintained an average of 0:10.24 for June and 1:19:48.
3. Maintain a 95% call satisfaction rating for callers' experience with the Contact Center Representative (CCR).		X			X		We achieved a 94.29% satisfaction rate in June and a 91.59% satisfaction rate in July. This was due, in part, to the launching of Lexis Nexis verification system in conjunction with the full roll-out of My Account 2.0.
Administrative							
1. Assure that formal complaints are responded to within five (5) business days.			X		X		No complaints received in June. One complaint was received in July. Response was mailed on day 6.
2. Maintain expenditures at or less than Administration Budget as reported by Finance in the most recent manager's report (1-month lag).	X			X			

Contact Center
June 2024

Phone Calls

	Total	Percentage
Calls addressed by CCRs	2421	99.79%
Calls forwarded to SMEs	1	0.04%
Calls forwarded to SME Manager	4	0.16%
Total	2,426	100.00%

Post Call Surveys

	Total
Total Calls Handled	2,426
Surveys Completed	78
% of Total Calls Completion Rate	3.22%

Walk Ins

	Total
Number of Walk-Ins	270
Total Walk In Time (hours)	40.63
Average Walk In time (minutes)	9.03

Emails

	Total	Percentage
Emails addressed by CCRs	331	32.39%
Emails forwarded to SMEs	691	67.61%
Total	1,022	100.00%

Message Center Threads

	Total
Handled by Contact Center	62

Goal: Answer calls within 2 minutes with 5% abandon rate.

Queue Name	Calls Presented	Calls Handled	Percentage	Calls Abandoned	Percentage	Average Queue Time	Average Speed of Answer	Average Time to Abandon	Average Handle Time
Employer	170	171	100.59%	1	0.59%	0:37:00	0:10:00	0:09:00	4:31:00
My Account	226	212	93.81%	14	6.19%	0:38:00	0:10:00	0:06:00	6:49:00
Member	1114	1092	98.03%	21	1.89%	0:43:00	0:10:00	3:42:00	4:52:00
Age Adjustment	49	48	97.96%	1	2.04%	0:36:00	0:12:00	0:25:00	5:01:00
Retiree	905	903	99.78%	0	0.00%	0:40:00	0:10:00	0:00:00	4:28:00
Totals	2464	2426	98.46%	37	1.50%	0:38:48	0:10:24	0:52:24	5:08:12

Average

Contact Center
July 2024

Phone Calls

	Total	Percentage
Calls addressed by CCRs	3389	96.99%
Calls forwarded to SMEs	104	2.98%
Calls forwarded to SME Manager	1	0.03%
Total	3,494	100.00%

Post Call Surveys

	Total
Total Calls Handled	3,389
Surveys Completed	127
% of Total Calls Completion Rate	3.75%

Walk Ins

	Total
Number of Walk-Ins	284
Total Walk In Time (hours)	43.27
Average Walk In time (minutes)	9.14

Emails

	Total	Percentage
Emails addressed by CCRs	533	39.72%
Emails forwarded to SMEs	809	60.28%
Total	1,342	100.00%

Message Center Threads

	Total
Handled by Contact Center	124

Goal: Answer calls within 2 minutes with 5% abandon rate.

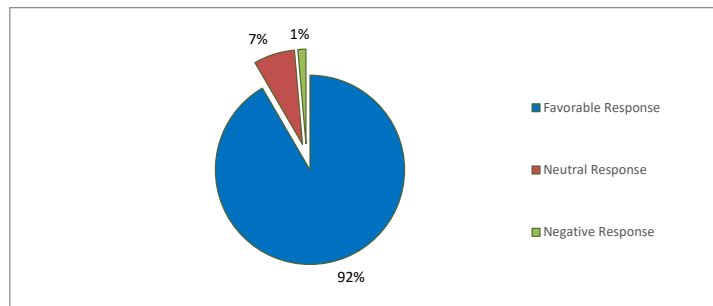
Queue Name	Calls Presented	Calls Handled	Percentage	Calls Abandoned	Percentage	Average Queue Time	Average Speed of Answer	Average Time to Abandon	Average Handle Time
Employer	155	136	87.74%	19	12.26%	0:07:00	1:24:00	3:10:00	4:19:00
My Account	738	659	89.30%	79	10.70%	0:11:00	1:19:00	2:59:00	7:16:00
Member	1439	1282	89.09%	157	10.91%	0:10:00	1:20:00	3:21:00	5:15:00
Age Adjustment	53	39	73.58%	14	26.42%	0:10:00	1:16:00	1:12:00	5:55:00
Retiree	1520	1378	90.66%	142	9.34%	0:10:00	1:20:00	3:08:00	4:25:00
Totals	3905	3494	89.48%	411	10.52%	0:09:36	1:19:48	2:46:00	5:26:00

Average

**NHRS Board Monthly Reporting Package
Process Improvement
June - July 2024**

Executive Director Telephone Survey Results

	Number of Names on Call List	Number of Connections Made	Favorable Response (1)	Neutral Response (2)	Negative Response (3)	Left VM No Call Back (4)	Bad Phone Number/Not in Service/No VM (5)
2024							
July	30	15	13	1	1	8	7
June	40	17	17	0	0	17	6
May	50	17	16	1	0	22	11
April	40	17	16	1	0	19	4
March	40	18	18	0	0	16	6
February	40	15	13	1	1	18	7
January	50	29	27	1	1	16	5
2023							
December	40	18	16	2	0	19	3
November	50	24	24	0	0	24	2
October	40	19	17	0	2	14	7
September	40	21	19	1	1	18	1
August	50	20	20	0	0	22	8
July	40	17	16	0	1	15	8
June	40	23	21	1	1	15	2
May	50	29	23	6	0	19	2
April	40	23	22	1	0	16	1
March	50	22	18	4	0	22	6
February	40	17	15	2	0	17	6
January	40	18	15	2	1	18	4
2022							
January - December	520	291	265	21	5	174	55
2021							
January - December	130	73	64	8	1	42	15
2020							
January - December	100	50	47	2	1	37	13
2019							
January - December	500	228	216	7	5	150	122
2018							
January - December	490	227	217	8	2	183	80
2017							
January - December	460	214	204	8	2	168	78
2016							
January - December	520	258	230	25	3	189	73
2015							
January - December	510	273	242	28	3	152	85
2014							
October - December	87	36	28	8	0	30	21
	4127	2029	1859	139	31	1460	638



NHRS MEMBER SATISFACTION SURVEY SUMMARY

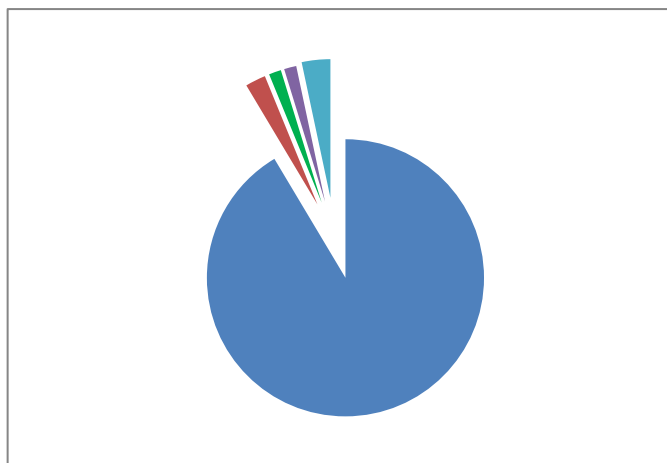
Q4 Fiscal Year 2024

Overview

NHRS has been utilizing member satisfaction surveys since July 2013. The following summary provides a high-level overview of key survey results for Member Services. Negative comments are identified when responses are received and, in keeping with our mission to provide superior service, managers reach out to anyone who had an unsatisfactory experience and provided their name and/or contact information.

Active Members

Separate surveys are provided to members who are involved in the following interactions: (1) appointment with a benefits specialist; (2) request for a written pension estimate; (3) withdrawal or rollover of accumulated contributions; or (4) purchase of service credit. There are several common questions on each survey, and the responses to all of the common questions are aggregated below:



Question: Overall, how satisfied are you with your experience?

Very Satisfied	91.43% (192 responses)
Somewhat Satisfied	2.38% (5 responses)
Neutral	1.43% (3 responses)
Somewhat Dissatisfied	1.43% (3 responses)
Very Dissatisfied	3.33% (7 responses)

Question: How satisfied are you with the following?	Very Satisfied	Somewhat Satisfied	Neutral	Somewhat Dissatisfied	Very Dissatisfied
Phone system	86.11%	6.25%	2.78%	0.00%	4.86%
Email	85.71%	4.76%	3.81%	0.00%	5.72%
Initial contact with representative	93.10%	2.87%	0.58%	0.00%	3.45%

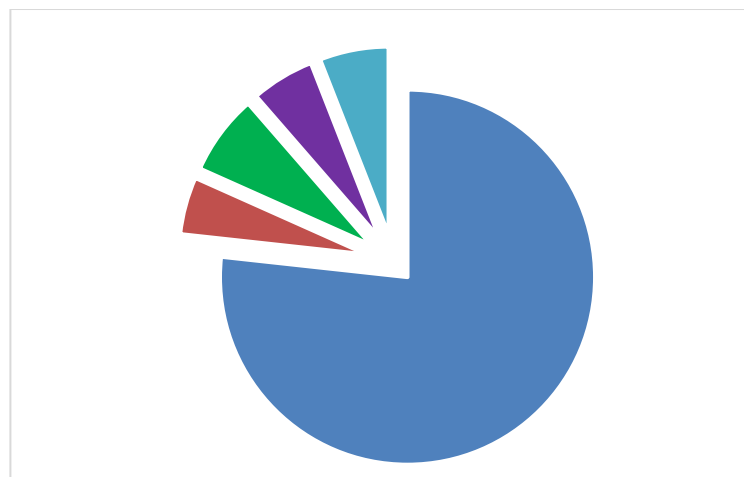
Question: How satisfied are you with the service provided by the NHRS representative who assisted you?	Very Satisfied	Somewhat Satisfied	Neutral	Somewhat Dissatisfied	Very Dissatisfied
Friendliness / Professionalism / Courtesy	95.43%	0.57%	2.86%	0.00%	1.14%
Knowledge	95.95%	0.58%	2.89%	0.00%	0.58%
Clarity of verbal explanation	93.64%	2.31%	2.89%	0.00%	1.16%
Clarity of written materials	92.35%	3.53%	2.94%	0.00%	1.18%

Appointments: 403 sent/ 46 returned / 11.41%	Withdrawal / Rollover: 175 sent / 18 returned / 10.29%
Estimates: 432 sent / 38 returned / 8.80%	Service Credit: 14 sent / 1 returned / 7.14%

Contact Center

The contact center opened in December 2020 to transform member services operations to better meet the needs of our stakeholders. Callers reaching the contact center include active members and retirees. Callers are offered the option to stay on the line after their call is finished to complete a brief, three (3) question survey. The following summary provides a high-level overview of the results for this survey.

Overall Satisfaction



Question: Overall, how satisfied were you with your experience?

Very Satisfied	76.73% (155 responses)
Somewhat Satisfied	4.95% (10 responses)
Neutral	6.93% (14 responses)
Somewhat Dissatisfied	5.45% (11 responses)
Very Dissatisfied	5.94% (12 responses)

Question: Was this the first time you contacted NHRS about this issue?

Yes	No
77.92%	22.08%

Question: Overall, how satisfied are you with the service provided by the NHRS representative who assisted you?

Very Satisfied	Somewhat Satisfied	Neutral	Somewhat Dissatisfied*	Very Dissatisfied*
89.22%	4.41%	2.45%	1.47%	2.45%

Response Rate: 9,541 calls received / 256 surveys completed / 2.68%

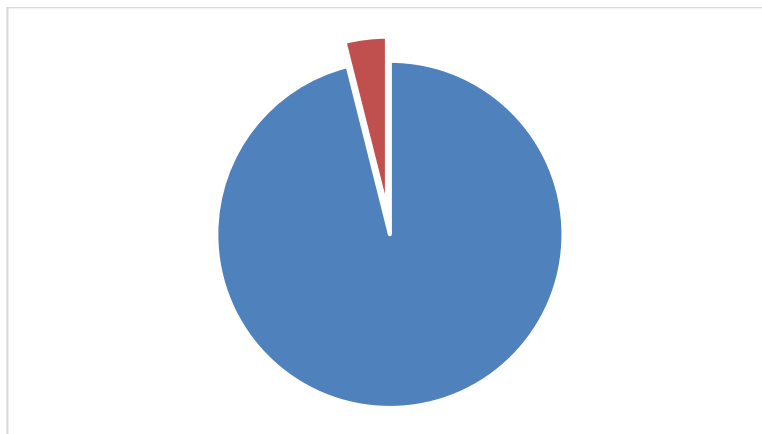
* Contact center management reviews all 'somewhat dissatisfied' and 'very dissatisfied' calls to understand whether members were truly dissatisfied with their service or if they simply selected an incorrect response option. Since calls are recorded, every call in these two categories were listened to and a report is issued. These reports will be used to determine if our survey options need to be modified and also serve as a training tool for our contact center representatives.

ED Telephone Surveys

In October 2021, the Executive Director resumed making calls to stakeholders to inquire about their level of satisfaction with NHRS. These calls were discontinued in March 2020 at the onset of Covid-19. On a weekly basis, a list of ten (10) members who have visited or called NHRS are selected at random and provided to the Executive Director.

The Executive Director, in turn, contacts or attempts to contact each member on the list to inquire about their satisfaction with the service received. Below are the results for the quarter.

Overall Satisfaction



Question: "I am calling to see if you are happy with the service you received from our staff."

■ Positive	96.08% (49 responses)
■ Neutral	3.92% (2 responses)
■ Negative	0.00% (0 responses)

Response rate: 130 calls made / 51 responses/ 39.23%

NHRS MEMBER SATISFACTION SURVEY SUMMARY

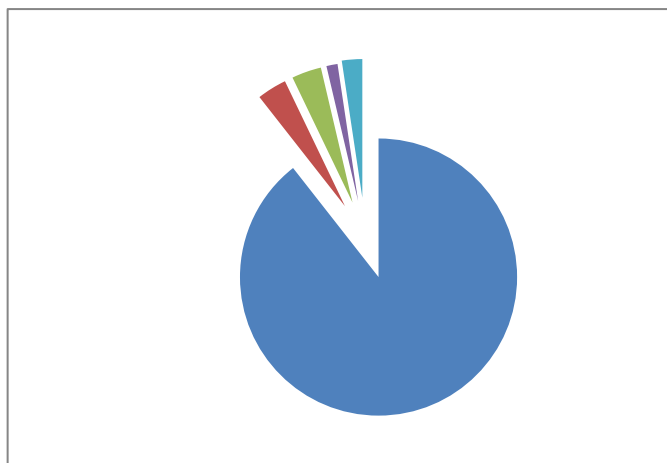
Fiscal Year 2024

Overview

NHRS has been utilizing member satisfaction surveys since July 2013. The following summary provides a high-level overview of key survey results for Member Services. Negative comments are identified when responses are received and, in keeping with our mission to provide superior service, managers reach out to anyone who had an unsatisfactory experience and provided their name and/or contact information.

Active Members

Separate surveys are provided to members who are involved in the following interactions: (1) appointment with a benefits specialist; (2) request for a written pension estimate; (3) withdrawal or rollover of accumulated contributions; or (4) purchase of service credit. There are several common questions on each survey, and the responses to all the common questions are aggregated below:



Question: Overall, how satisfied are you with your experience?

Very Satisfied	89.42% (414 responses)
Somewhat Satisfied	3.45% (16 responses)
Neutral	3.45% (16 responses)
Somewhat Dissatisfied	1.30% (6 responses)
Very Dissatisfied	2.38% (11 responses)

Question: How satisfied are you with the following?	Very Satisfied	Somewhat Satisfied	Neutral	Somewhat Dissatisfied	Very Dissatisfied
Phone system	83.92%	7.34%	5.94%	0.00%	2.80%
Email	84.84%	6.15%	4.50%	1.64%	2.87%
Initial contact with representative	93.75%	2.27%	1.99%	0.00%	1.99%

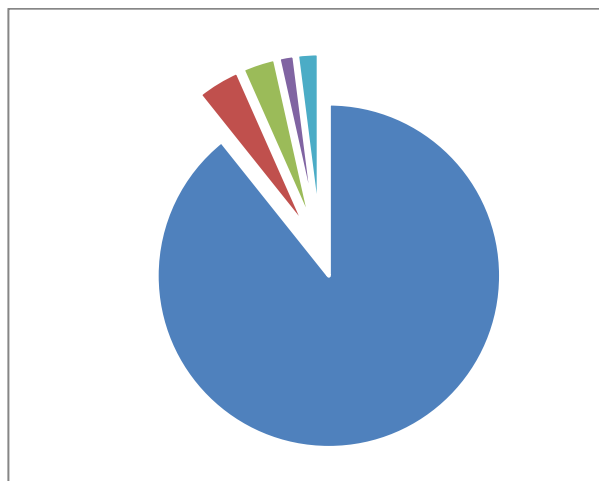
Question: How satisfied are you with the service provided by the NHRS representative who assisted you?	Very Satisfied	Somewhat Satisfied	Neutral	Somewhat Dissatisfied	Very Dissatisfied
Friendliness / Professionalism / Courtesy	96.35%	1.12%	1.69%	0.28%	0.56%
Knowledge	95.21%	2.54%	1.41%	0.28%	0.56%
Clarity of verbal explanation	94.01%	2.56%	1.71%	0.86%	0.86%
Clarity of written materials	92.42%	3.21%	2.33%	0.58%	1.46%

Appointments: 804 sent / 186 returned / 23.13%	Withdrawal / Rollover: 719 sent / 62 returned / 8.62%
Estimates: 1450 sent / 109 returned / 7.52%	Service Credit: 97 sent / 4 returned / 4.12%

Contact Center

The contact center opened in December 2020 to transform member services operations to better meet the needs of our stakeholders. Callers reaching the contact center include active members and retirees. Callers are offered the option to stay on the line after their call is finished to complete a brief, three (3) question survey. The following summary provides a high-level overview of the results of this survey.

Overall Satisfaction



Question: Overall, how satisfied were you with your experience?

Very Satisfied	89.28% (1507 responses)
Somewhat Satisfied	4.09% (69 responses)
Neutral	3.14% (53 responses)
Somewhat Dissatisfied	1.48% (25 responses)
Very Dissatisfied	2.01% (34 responses)

Question: Was this the first time you contacted NHRS about this issue?

Yes	No
73.67%	26.33%

Question: Overall, how satisfied are you with the service provided by the NHRS representative who assisted you?

Very Satisfied	Somewhat Satisfied	Neutral	Somewhat Dissatisfied*	Very Dissatisfied*
95.80%	2.10%	0.83%	0.61%	0.66%

Response Rate: 38,813 calls received / 1,941 surveys completed / 5.00%

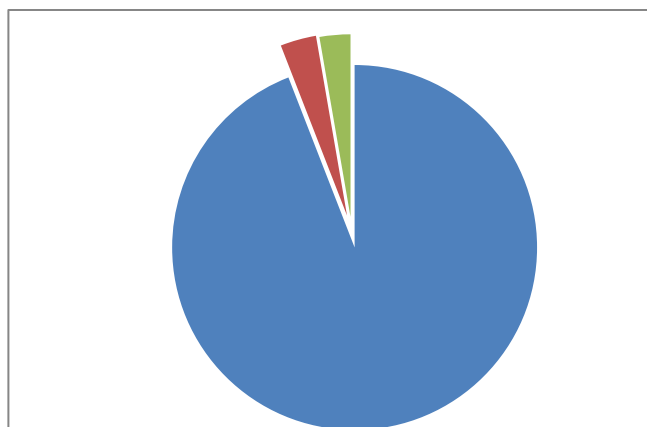
* Contact center management reviews all 'somewhat dissatisfied' and 'very dissatisfied' calls to understand whether members were truly dissatisfied with their service or if they simply selected an incorrect response option. Since calls are recorded, every call in these two categories is listened to and a report is issued. These reports will be used to determine if our survey options need to be modified, and serve as a training tool for our contact center representatives.

ED Telephone Surveys

In October 2021, the Executive Director resumed making calls to stakeholders to inquire about their level of satisfaction with NHRS. These calls had been discontinued in March 2020 at the onset of Covid-19. On a weekly basis, a list of ten (10) members who have visited or called NHRS are selected at random and provided to the Executive Director.

The Executive Director, in turn, contacts or attempts to contact each member on the list to inquire about their satisfaction with the service received. Below are the results for the quarter.

Overall Satisfaction



Question: "I am calling to see if you are happy with the service you received from our staff."

■ Positive	94.09% (207 responses)
■ Neutral	3.18% (7 responses)
■ Negative	2.73% (6 responses)

Response rate: 500 calls made / 220 responses/ 44.0%

Last 12 Months Executive Director Contract Approval (as of 7/29/24)

Vendor Name	Effective Date	Amount	Description
PACE Cooling	8/30/2023	\$ 14,200	Cooling equipment for server room
SilverTech	9/19/2023	\$ 8,000	Website maintenance.
MCN IME	9/19/2023	\$ 4,950	IME for R. B. disability appeal
CPM	11/30/2023	\$ 24,000	Facilities maintenance
PIF	12/14/2023	\$ 36,253	Document management
Blue Mantis - Barracuda	1/2/2024	\$ 44,055	Cybersecurity protection services
NH Print and Mail	1/31/2024	\$ 24,332	Printing and mailing of 1099-R forms
CEM Benchmarking	3/15/2024	\$ 34,000	Benchmarking Services
Funston	3/1/2024	\$ 49,000	Investment Strategy Review
Funston	3/1/2024	\$ 45,000	Strategic Planning
Korn Ferry	6/13/2024	\$ 56,400	Personnel Position Evaluation (annual average cost over 3 years = \$18,800)
Travelers	7/1/2024	\$ 5,332	Workers Compensation Policy
		\$ 345,522	

Division: Executive

Date: July 1, 2023
As of: May 31, 2024**FY 2024 Action Plan Summary**

ACTION	PM	DATE	STATUS/COMMENTS
1. Complete implementation of data security assessment recommendations and continue to enhance IT security.	JG/JL	6/30/24	Complete.
2. Complete project plan milestones for LRS Pension Gold (PGV3) project.	JG/TK	6/30/24	This is a five-year project scheduled for completion in FY 24. Project modifications have added 6 months to the original completion date.
3. Identify areas for improved efficiencies across the organization, including assessing and improving employee engagement.	JG/All	6/30/24	Ongoing.
4. Enhance member, beneficiary, and employer education: identify/review industry best practices for education and engagement; adjust existing education programming, as needed.	JG/MK	6/30/24	On hold due to PGV3.
5. Implement agreed-upon elements of Vision for NHRS.	JG/All	6/30/24	Incorporated in FYs 25-27 Strategic Plan, which will be presented to BOT in June 2024.

FY 2025 Action Plan Summary

ACTION	PM	DATE	STATUS/COMMENTS	ALIGNMENT WITH NHRS STRATEGIC PLAN
1. Oversee implementation of FYs 25-27 Strategic Plan	JG	6/30/25	In process.	Goals 1-4.
2. Continue progress on Roadmap for LRS Pension Gold (PGV3) project.	JG/JL/NM/MM	6/30/25	This is a continuation of the five-year project completed in FY 24.	Goal 1.
3. Identify areas for improved efficiencies across the organization, including assessing and improving employee engagement.	JG/All	6/30/25	Ongoing.	Goal 2.
4. Enhance member, beneficiary, and employer education: identify/review industry best practices for education and engagement; adjust existing education programming, as needed.	JG/MK	6/30/25		Goal 1.
5. Implement agreed-upon elements of Vision for NHRS.	JG/All	6/30/25	Will be presented to BOT in August 2024.	Goals 1-4.
6. Attend two professional conferences.	JG	6/30/25	Will participate in NASRA's conference August 3-7.	Goal 2.



To: Board of Trustees

From: Nancy J. Miller

Date: August 1, 2024

Re: Member Services Operating Report

Item: Action: ☐ Discussion: ☐ Informational: ☒

Significant Developments and Priority Issues

- A leading priority for Member Services has been working with the NHRS legislative team to arrive at interpretation, system requirements and implementation plans for the three legislative changes NHRS is implementing.
- Member Accounts began work on the teacher salary contract project that is part of the PGV3 roadmap work. Temporary staff has been trained and is manually assigning past wage records to PGV3 contract dates for individual teachers to allow for accurate estimate and benefit calculation across the population.

Previous Months Highlights – June and July

- Member Services processed over 600 new preliminary benefits for the July retirees.
- Member Services will be prioritizing participation in migration testing in August and September as PG Test moves to a cloud environment.

Upcoming Plans & Projects

- Member Services has begun work to determine PGV3 system needs for the Academic Plan members. These are professors at the Community College who are classified as employees/12-month teachers.
- We continue to work with our NHRS IT technical writer to complete employer reporting training modules that focus on earnable compensation reporting and usage.
- The annual Member Statements project continues to progress with regular monitoring of employer reporting status and interest posting to have current records at the time of issuance. Member Services expects to receive new benefit option factors from GRS in the upcoming month. Plans for option testing and coordination into PG will be developed.
- Member Services expects to receive new benefit option factors from GRS in the upcoming month. Plans for option testing and coordination into PG will be developed.

NHRS New Retirement Applicants Placed on Payroll

	2025	2024	2023	2022	2021	2020
June		77	105	106	126	98
May		81	88	110	92	99
April		93	76	117	95	100
March		74	97	104	97	85
February		94	89	105	93	94
January		125	131	200	154	142
December		64	88	71	78	66
November		90	66	91	113	90
October		103	110	128	118	96
September		143	116	128	129	97
August		180	162	210	147	137
July	606	579	731	775	694	703
Total	606	1,529	1,856	2,145	2,063	1,888

NHRS Retirement Appointment Total by Month for Fiscal Year

	2025	2024	2023	2022	2021	2020
June		77	55	25	42	60
May		187	115	34	34	129
April		137	84	49	135	166
March		67	36	22	38	188
February		52	25	15	44	75
January		29	22	13	25	60
December		49	15	13	39	65
November		54	15	19	37	96
October		32	24	23	48	96
September		33	10	23	44	61
August		46	14	19	32	76
July	56	38	15	25	28	68
Total	56	801	430	280	546	1,138

Our Mission: To provide secure retirement benefits and superior service.

Division: Member Services

Date: June 30, 2024

Approved: July 3, 2023

FY 2024 Action Plan Summary

ACTION	PM	DATE	STATUS/COMMENTS
1. Adhere to and complete PGV3 project plan milestones relative to all Member Services functions.	NM/MS/IT/ LRS	12/30/24	Current, this will carry over to 2025.
2. Develop and implement PGV3 Employer Term Form audit process to confirm accuracy of employer reported data relative to benefit finalization. Target date will equal the formal elimination of Manual (paper) forms in the NHRS Benefit process.	Member Benefits/Finance/ LRS	7/30/24	On hold, to be revisited in in next Action Plans based on progress in employer reporting.
3. Create new member correspondences, internal workflows, accountabilities, and documented procedures relative to all 2023 legislative changes with impact to Member Services and benefit calculation functions. HB2 section 459-461.	MS/PIO/Legal/ Contact Center/ LRS	3/30/24 – TSA Post 65 Change – TBD based on LRS system changes	Completed.
4. Implement new and adjusted procedures for Retiree Death Case processing to realign NHRS collection procedures to include finance and legal.	MS Retirement Benefits/LexisNexis /Legal/Finance	6/30/24	On hold. Moved to next FY.
5. Identify and schedule MS Manager team training program.	MS Managers/HR/ Vendor	6/30/24	Completed.

Division: Member Services
Executive Team Member: Nancy J Miller

Date: 5/23/24
Approved: 7/1/24

FY 2025-27 Strategic Plan Summary

ACTION	PRIME MOVER(S)	TARGET DATE	STATUS/COMMENTS	ALIGNMENT WITH NHRS STRATEGIC PLAN
1. Adhere to and complete PGV3 Roadmap enhancements and projects (i.e. teacher salary contract project, Community College population project).	NM/MS/IT/LRS	FY 25-27	Some projects in flight, others having dates prioritized over upcoming calendar year quarters.	Y G1
2. Develop and deliver Project Nexus Employer Reporting Trainings (earnable compensation, paycodes project, salary variance).	NM/MS IT/Finance	FY 25	Earnable Compensation modules in draft stages with IT technical writer.	Y G1
3. Coordinate, test and load new benefit option factors in PGV3	NM/MS/IT/LRS /GRS	FY 25	Process will begin after experience study is accepted 6/24. Awaiting delivery of Option factors from GRS.	N
4. Create, design and implement a MS PGV3 Dashboard that correlates to KPMs.	NM/MS/IT/LRS	Start 6/24 Finalized FY 25	In process, MS provided materials for LRS review.	Y G1, G3
5. Design, test and implement legislative changes relative to Benefit calculations according to effective dates determined in statute.	NM/IT/LRS/MS	FY 25	In process with legislative teams and LRS.	N
6. Implement new and adjusted procedures for Retiree Death Case processing to realign NHRS collection procedures (audit finding).	NM/IT/MS /Legal/Finance	FY 25-26		N

Variables: Legislative changes, personnel changes/turnover, technology changes.



To: Board of Trustees
 From: Raynald Leveque, Chief Investment Officer
 Date: July 31, 2024
 Re: Investments Operating Report
 Item: Action: ☐ Discussion: ☐ Informational: ☒

Significant Developments and Priority Issues

- July Independent Investment Committee (Committee) Meeting Recap:
 - Staff presented an update on the monthly performance of the public market asset classes of the NHRS, rebalancing, and holdings.
 - The Committee heard an NHRS Investment Office strategic plan presentation by Raynald Leveque, Chief Investment Officer.
 - Representatives of Funston Advisory Services presented a review of the NHRS Investment Office Strategic Plan, which the Committee unanimously approved for recommendation to the Board.

Two Months Highlights – May and June

- Preliminary Performance for May 2024:

As of 05/31/2024	1 Month	Fiscal Year to Date	1-YR	3-YR	5-YR	10-YR
NHRS Total Fund <u>Net</u> Return	+2.45%	+7.88%	+11.32%	+4.72%	+8.55%	+7.22%
Policy Benchmark Return	+2.92%	+10.85%	+14.28%	+4.02%	+8.46%	+7.42%
Net Return Minus Benchmark (in basis points)	-46	-297	-297	+70	+9	-21

Source: Callan, NHRS

- KPM Performance for May 2024:
 - Five reported KPMs were achieved; Four are not applicable to March month reporting. One KPM was not achieved; Five Year Total Fund Performance trailed Benchmark by 1 basis point as of March 31, 2024.

Our Mission: To provide secure retirement benefits and superior service.

- Preliminary Performance for June 2024:

As of 6/30/2024	1 Month	Fiscal Year to Date	1-YR	3-YR	5-YR	10-YR
NHRS Total Fund <u>Net</u> Return	0.61%	+8.53%	+8.53%	+3.31%	+7.62%	+7.01%
Policy Benchmark Return	1.43%	+12.43%	+12.43%	+4.08%	+7.95%	+7.41%
Net Return Minus Benchmark (in basis points)	-82	-390	-390	-77	-34	-40

Source: Callan, NHRS

- KPM Performance for June 2024:
 - Six reported KPMs were achieved; Two KPMs are not applicable to June month reporting. Two KPMs were not achieved; three and five-year total fund performance trailed the benchmark by 77 and 34 basis points respectively as of June 30, 2024. The 25-year total fund performance trailed the Actuarial Assumed Rate of Return by 47 basis points as of June 30, 2024.

Upcoming Plans & Projects

- August Committee Meeting:
 - Staff will present an update on the monthly performance of the public market asset classes of the NHRS, holdings, and the Work Plan.
 - The Committee will consider a GP fund commitment to the Private Equity portfolio: HarbourVest HIPEP X. Representatives from HarbourVest will present their mandate to the Committee.
 - The Committee will consider a GP fund commitment to the Private Credit portfolio: Oak Hill Advisors Senior Private Lending Fund (OLEND). Representatives from Oak Hill Advisors will present their mandate to the Committee.

Our Mission: To provide secure retirement benefits and superior service.

Securities Litigation Summary

Staff regularly monitors and participates in class action securities litigation to recover NHRS funds lost through investments in public securities. NHRS engages with our custodian bank to participate in standard US class action litigation (the current custodian is BNY Mellon). NHRS hired ISS in 2018 to provide litigation research and claims filing solutions for non-standard US class action and international securities litigation. The table below reports the annual historical recoveries for the NHRS.

Calendar Year	Amount
2005	\$ 624,261
2006	\$ 1,373,631
2007	\$ 2,410,390
2008	\$ 1,980,702
2009	\$ 1,972,216
2010	\$ 1,374,754
2011	\$ 550,324
2012	\$ 835,766
2013	\$ 310,321
2014	\$ 803,621
2015	\$ 627,131
2016	\$ 670,404
2017	\$ 1,280,969
2018	\$ 279,783
2019	\$ 675,406
2020	\$ 289,418
2021	\$ 483,889
2022	\$ 265,959
2023	\$ 754,938
2024 through June 30 th	\$ 73,833
Total:	\$ 17,708,111

Source: BNY Mellon, ISS, NHRS, Northern Trust

Division: Investments

Date: June 11, 2024

Approved: July 5, 2023

FY 2024 Action Plan Summary

ACTION	PM	DATE	STATUS/COMMENTS
1. Assure compliance with all relevant statutory and regulatory requirements.	CIO/IIC/BOT	06/30/24	No exceptions have been identified.
2. Complete Private Debt/Equity Work Plan for Calendar Year (CY) 2024.	CIO/IIC	02/29/24	Completed in February 2024.
3. Complete Real Estate Work Plan for CY 2024.	CIO/IIC	12/31/23	Completed in January 2024.
4. Maintain investment expenses within budget.	CIO/IIC	06/30/24	Investment expenses are within budget.
5. Implement rebalancing as necessary to address deviations from policy targets.	CIO/IIC/BOT	06/30/24	In May 2024, the investment team reduced an overweight SAA position in U.S. Equity by selling \$175 million from the passive BlackRock S&P 500 passive fund. The proceeds have been allocated to cash.
9. Complete a review of the Strategic Asset Allocation and, if necessary, recommend an update to the Strategic Asset Allocation policy.	CIO/IIC/BOT	12/31/23	Completed in December 2023.
7. Identify, enroll, and complete a professional development program for the Investment team.	CIO	12/31/23	Completed in September 2023.
8. Conduct an internal review of the NHRS total plan portfolio.	CIO/IIC	6/30/24	On Hold – Staff will incorporate build or buy solution for NHRS total plan data within the 5-yr Strategic Plan for Investments division.
9. Complete a 5-yr Strategic Plan for the Investments division at NHRS for approval with the IIC and the BoT.	CIO/IIC/BOT	6/30/24	In Progress.

Division: Investments
Executive Team Member: R. Leveque

Date: 7/31/24
Approved: 5/23/24

FY 2025-27 Investments Strategic Plan Summary

ACTION	PRIME MOVER(S)	TARGET DATE	STATUS/COMMENTS	ALIGNMENT WITH NHRS STRATEGIC PLAN
1. Complete a 5-yr Strategic Plan for the Investments division at NHRS for approval with the IIC and the BoT.	CIO / IIC / BOT	7/2024	<i>High level plan will be detailed in the Investment Office Strategic Plan – ETA to Board in August 2024</i>	Goal 3.
2. Develop and gain approval for plan to expanding the talent and resources to support the Investment Office	CIO / ED	FY 24 – 25	<i>High level plan will be detailed in the Investment Office Strategic Plan – ETA to Board in August 2024</i>	Goal 3.
3. Review the NHRS portfolio and Investment Office cost benchmarking study	CIO	FY 24	<i>Cost Benchmarking Review will be part of the Investment Office Strategic Plan – ETA to Board & IIC in December 2024</i>	Goal 3.
4. Address areas of cost efficiencies in the NHRS portfolio and/or Investment Team services	CIO	FY 24 – 26	<i>Utilizing benchmarking study as key input to drive areas of cost efficiency</i>	Goal 3.
5. Work with Legal, Info Tech., and Accounting department heads to implement middle and back-office capabilities for the Investment Office	CIO / ED / PIOs	FY 24 – 26	<i>Specific plan will be detailed in the Investment Office Strategic Plan – ETA to Board in August 2024</i>	Goal 3.

6. Develop and gain approval for specific technology plan to support the Investment Office	CIO / ED	FY 24 – 26	<i>High level plan will be detailed in the Investment Office Strategic Plan – ETA to Board in August 2024</i>	Goal 3.
7. Investigate and recommend additional services for fee monitoring and validation at the total plan and asset class levels	CIO	FY 24 – 25	<i>This action will support organizational resilience in the Investment Office as it relates to our portfolio, investment manager relationships and vendor partners</i>	Goal 4.
8. Identify, enroll and complete professional development for Investment Office	CIO	FY 24 – 25	<i>This action will support organizational resilience in the Investment Office as it relates to building a world-class investment office at NHRS</i>	Goal 4.
9. Assure compliance with all relevant statutory and regulatory requirements.	CIO / IIC / BOT	June 2025		Goal 2.
10. Complete Work Plans for Alternatives Asset Classes	CIO / IIC	Dec 2025		Goal 2.
11. Maintain investment expenses within budget	CIO / IIC	June 2025		Goal 2.



Date: August 13, 2024
 To: Board of Trustees
 From: Raynald Leveque, Chief Investment Officer
 Jan Goodwin, Executive Director
 Re: **Investment Office Strategic Plan Recommendation**
 Item: Action: ☒ Discussion: ☐ Informational: ☐

Recommendation

At its July meeting, the NHRS Independent Investment Committee (IIC) unanimously approved the Investment Office Strategic Plan for recommendation to the Board of Trustees (Board).

At the July IIC meeting, Mr. Leveque provided the IIC with a presentation on the Strategic Plan for the NHRS Investment Office. He outlined the proposed structural framework to: enhance oversight and risk management of the Total Fund; expand and optimize human and technological resources; and increase long-term risk-adjusted investment performance. Mr. Leveque also discussed the ongoing advisory work with Funston Advisory Services (Funston), and Funston principals presented their recommendations on staffing, compensation, technology infrastructure, and cost evaluation to enhance portfolio management.

At the August Board meeting, Mr. Leveque will review the Strategic Plan and Funston will provide their independent assessment and recommendations for the plan. For completeness and transparency, the Board materials include all the same materials from the July IIC meeting.

Staff is recommending the Board of Trustees approve this Strategic Plan, inclusive of Funston's recommendations to build out the NHRS Investment Office over the next two to three years.

The key goals of the proposed Investment Office Strategic Plan are:

- 1. Improve investment oversight and risk management:** increase staffing levels with competitive compensation across the organization to allow for optimization of human resources; retention and talent recruitment.
- 2. Increase technology infrastructure:** add investment tools and capabilities supporting investment activities and monitoring of the portfolio at the total plan, asset class, and manager levels.
- 3. More consistent, stronger long-term risk-adjusted investment performance:** it is expected that the combination of #1 and #2 will result in better risk-adjusted returns over the long term.

I look forward to discussing the Investment Committee's recommendation with you at the August Board meeting.

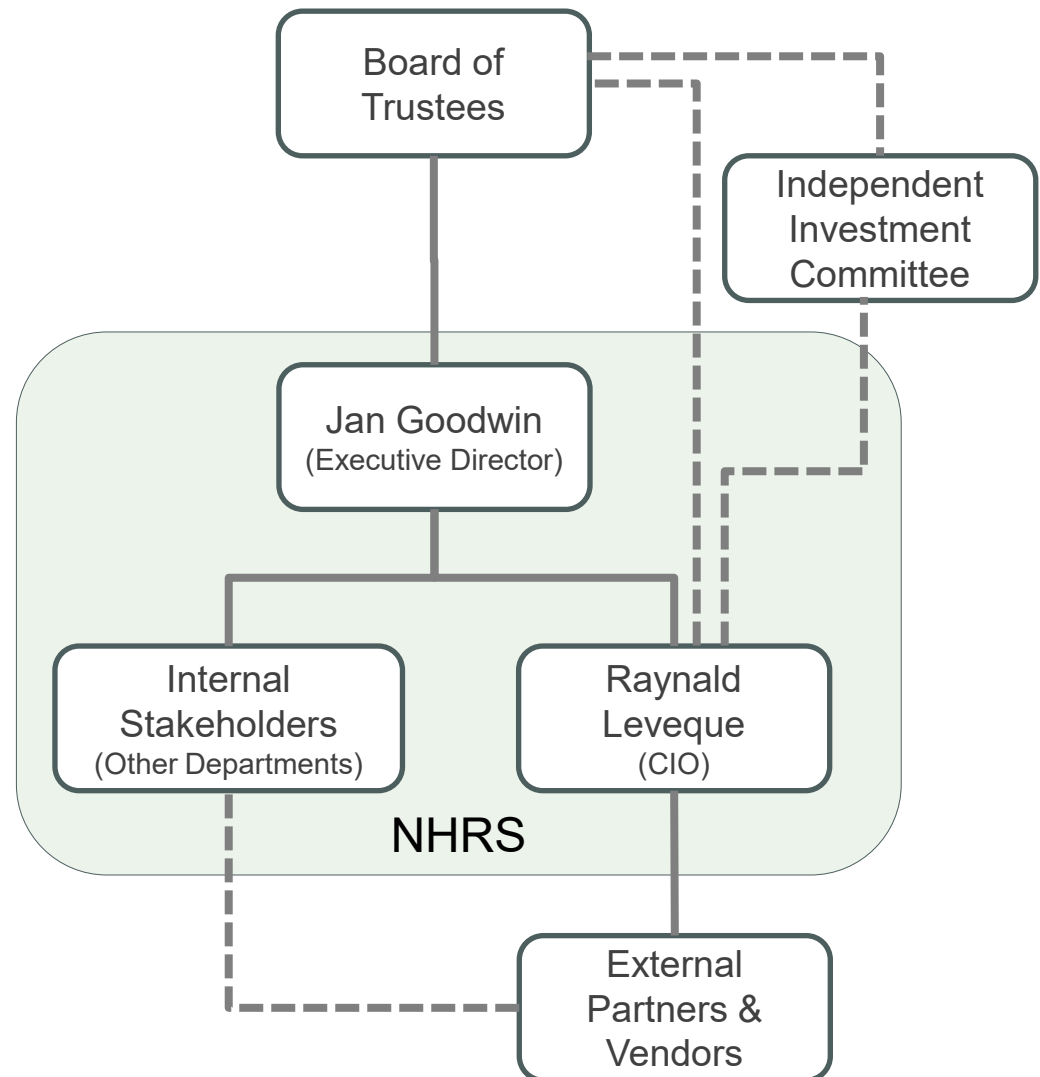
Strategic Plan for NHRS Investment Office

Raynald Leveque, Chief Investment Officer
July 2024 IIC Meeting

Objectives of this Strategic Plan

- **Outline a long-term strategic plan** that includes goals, actions, and direction for the NHRS Investment Office, who are the professionals delegated with the power and discretion of the plan fiduciaries to manage and oversee plan assets
- Detail the transformation of an Investment Office that will **adequately execute the fiduciary duty** to manage all aspects of the NHRS investment program
 - **Define a strategic direction** to enhance our operational infrastructure to enable NHRS to more adequately fulfill its fiduciary duty to maximize returns
 - **Recommend the structure** of the Investment Office (employees, systems, services, etc.) necessary to execute its duties delegated by the plan fiduciaries
 - **Develop our capabilities** to bring some investment decision-making in-house and reduce reliance on external consultants and advisors
- Why? – this strategic plan is expected to **improve investment oversight, manage plan risk, and optimize human and technological resources to drive stronger long-term performance** for the total plan

- **NHRS assets are invested pursuant to the Constitution of the State of New Hampshire** to provide plan benefits to members and beneficiaries
- Board of Trustees & Independent Investment Committee **seek advice from both internal and external investment professionals** to discharge their fiduciary duty
- CIO leads the Investment Office under the direction of the Board & Investment Committee along with investment professionals
- The Investment Office works with internal stakeholders, external partners, and vendors in the management and oversight of plan assets



- **1967:** NHRS established (RSA 100-A)
- **2007:** Commission created to study long-term viability of NHRS
 - Several recommendations were made which were subsequently enacted into law
- **2008:** Final year Board of Trustees makes all investment decisions
 - Retains approval of Strategic Asset Allocation (SAA) and hiring of consultants
- **2009:** Independent Investment Committee (IIC) established
 - IIC to consist of no more than five voting members, all with significant finance and investment experience
 - Reviews and recommends SAA to Board for approval
 - Hiring & firing decision for specific investment management firms
 - Monitors all managers on a periodic basis
 - Decision to select custodian bank for NHRS

- **2010 - 2022:** Director of Investments retained to lead investment team and provide expertise to IIC
 - 2010: Creation of investment team
 - 2010: Restarted and rebuilt private investments programs
 - 2010: Worked closely with Townsend to transition real estate portfolio from direct properties to a diversified investment program
 - 2010 – 2012: Restructured entire marketable portfolio to institutional grade portfolio
 - 2012: Established new asset class – Private Credit (5% Target)
- **2022 - Present:** Director of Investments retires. NHRS hires Chief Investment Officer to lead investment program
 - 2024: NHRS engages Funston Advisory Services to review Investment Office strategic plan

- **Current dynamics** of operating model **before October 2022**
 - Investment recommendations centralized around the Director of Investments, and general investment consultant
 - The Director of Investments led investment diligence and prosecution of mandates with support from the Investment Team
 - Manager selection is a collaboration between Investment Team and general consultant to source and diligence managers. General consultant leveraged to provide extensive underwriting of mandates
 - Investment staff focused on both investment and operational activities
- Investment administration is **significantly outsourced**
 - One discretionary advisor for Real Estate portfolio (asset class is 100% outsourced to advisor)
 - Investment analytical systems completely outsourced to custody bank
 - Legal function for investment mandates and contracting outsourced to external counsel
 - Reporting for Investment Team, Board and IIC outsourced to general consultant
 - Post-Trade Compliance, Proxy Voting, and Securities Litigation outsourced to external vendors

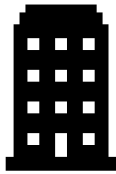
Moving from Team to Investment Office

- The next stage for NHRS is to move from an Investment Team to an Investment Office
 - **Attracting & retaining experienced staff** to support both operations and asset management of complex portfolios & strategies
 - **Investing in internal systems** to broaden out support of the investment management function and analysis capabilities at the manager and asset class level
 - **Broadening our** internal investment manager selection, **underwriting** investment mandates, and investment and operational manager **due diligence**
 - **Reducing reliance** on external investment advisors and investment consultants to source and underwrite mandates
- Considerations
 - Implementation of an in-house investment function requires **building our infrastructure** (e.g., technology, analytical systems, reporting capabilities)
 - **Expanding access to specialist consultants** to support our manager selection and investment diligence in private markets
 - **Leveraging cost-effective structures** like co-investments while reducing the number of managers where appropriate without compromising diversification
 - Continuing to **outsource essential non-core functions**, freeing up time to focus on investment activities that add the most value to reduce overhead while generating strong long-term investment performance

External Partners & Vendors



Investment
Managers



Investment
Advisor



General
Investment
Consultant



Custodian



Ext.
Legal
Counsel



Various
Investment
Service
Providers

Internal Stakeholders



Finance &
Accounting



Technology



Legal



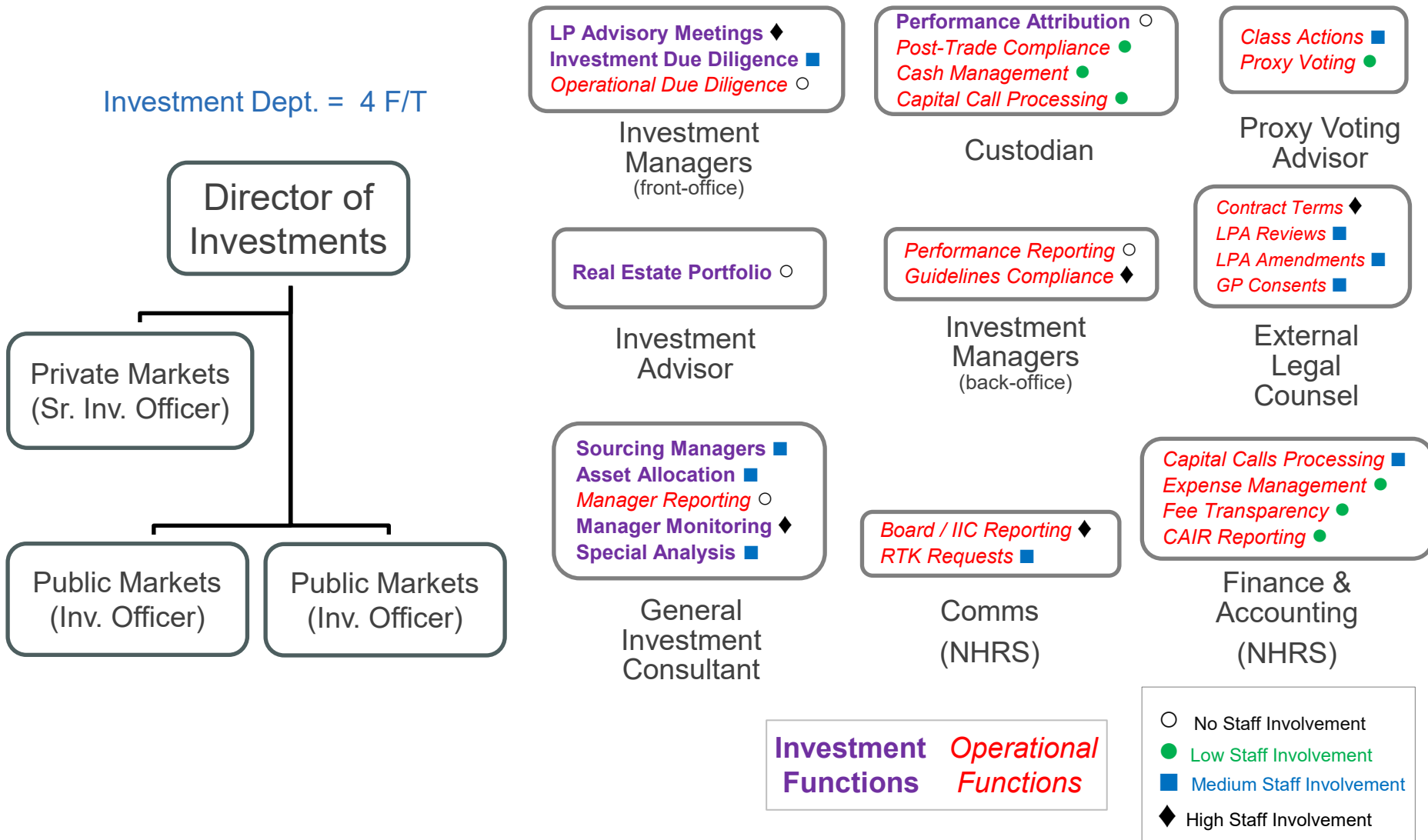
Compliance
& Audit



Comms.

2022 Team Structure and Functions

Investment Dept. = 4 F/T



- Functional Separation of Critical Activities
 - **Break apart operational activities from investment activities**
 - **Optimize each function** to generate efficiencies for investment management of the portfolio and manage risk through processes and structure improvements
- Expand infrastructure and capabilities to support Investment Office activities
 - **Add and develop internal professionals** to support activities that reduce reliance on external partners
 - **Revise our investment roles** to align with an optimized structure
 - Invest in the Investment Office technology infrastructure
 - **Utilize investment technology and analytics** where applicable and cost-effective to drive investment decision-making
 - Centralize our transaction knowledge by investing in other areas of NHRS (e.g., in-sourcing our legal advisory work)
 - **Manage and protect our own data** in-house to mitigate risk
- The Investment Office will **continue to utilize investment consultants** for independent diligence work on mandates in both public and private market mandates and reporting on investment performance

Proposed Separation of Functions

Front-Office

Asset Class Strategy ♦
Asset Class Implementation ♦
Manager / Portfolio Analysis ♦

Investment
Team

LP Advisory Meetings ♦
Investment Due Diligence ♦
Operational Due Diligence ♦
Sourcing Managers ♦

Investment
Managers
(front-office)

Asset Allocation ♦
Manager Monitoring ♦
Special Projects ■
Manager Reporting ○

Gen. Investment
Consultant

Private Markets Diligence ♦
Special Projects ■

Private Markets
Consultant

Middle-and-Back Office

Performance Attribution ♦
Post-Trade Compliance ●
Cash Management ●
Capital Call Processing ●

Custodian

Performance Reporting ♦
Investment Analytics ♦
Cap Calls & Distributions ■

Investment
Managers
(back-office)

Capital Calls Processing ■
Expense Management ●
Fee Transparency ●
CAIR Reporting ●

Finance & Accounting
(NHRS)

Contract Terms ♦
LPA Reviews ♦
LPA Amendments ♦
GP Consents ♦

Legal
(NHRS)

Board / IIC Reporting ♦
RTK Requests ■

Comms
(NHRS)

Business Analysis ●
Investment Systems ●

Info. Tech
(NHRS)

Investment Functions Operational Functions

External

Class Actions ■
Proxy Voting ●

Proxy Voting
Advisor

Real Estate Portfolio ●

Investment
Advisor
(front-office)

Contract Terms ●
LPA Reviews ●
LPA Amendments ●
GP Consents ●

External
Legal
Counsel

- No Staff Involvement
- Low Staff Involvement
- Medium Staff Involvement
- ♦ High Staff Involvement

- **Expand headcount** to support Investment Office activities across NHRS
 - Continue to **develop internal investment professionals** within NHRS departments to support the Investment Office
 - **Add one** senior private markets professional, and **two** investment services analysts to the existing investment team
 - **Add up to two** Finance & Accounting professionals with investment accounting experience
 - **Add one** Legal professional with securities and investment experience
 - **Add up to two** Information Technology professionals to assist in implementing systems for investment management, analysis, and reporting

- Current state of Investment Technology & Capabilities
 - **Investment Office relies on custodian bank for analytics** – no in-house system at NHRS
 - Exposures, performance, attribution, characteristics are sourced from custodian bank reporting platform
 - Paper reports for manager attribution, characteristics and performance are prepared by the general investment consultant
 - **All portfolio data comes from custodian bank** with individual investment managers and general consultant
 - **Inefficiencies and delays** for Investment Office to perform any portfolio what-if and asset class analyses, or special projects without involving an outside consultant
 - **Accounting capabilities can be enhanced** for investment management, including detailed fee monitoring for private markets
- **Recommend investing in our internal analytics systems** with tools to analyze the total plan (both public and private assets) and centralize investment data
 - Increase ability for staff to manage investment risk, while driving internal decision-making on manager analysis and selection
 - Enable staff to analyze total plan, asset classes, and portfolio exposures
 - Expand investment technology solutions to Accounting & Finance areas

Cost Benchmarking of Oversight Function

- NHRS engaged CEM Benchmarking to perform investment cost benchmarking for the Total Plan over the past five years (2023 - 2018)
 - Given resource challenges and data availability, NHRS expects to complete the 5-year cost benchmarking by the end of this year
 - CEM was able to analyze oversight costs for calendar year 2022 for comparison against a peer universe selected by CEM (12 U.S. public sponsors with AUM from \$2.9B to \$24.3B)
- NHRS calendar year 2022 cost impact below versus peer group reveals **lower expenses for oversight (staffing), consulting, and higher “other” expenses (vendors, external legal counsel)**

Calendar Year 2022 Cost Impact Relative to CEM Peer Group

Style	Your avg holdings (mils)	Cost in bps			Cost/-Savings	
		Your	Peer median	More/-less	\$000s	bps
Oversight, custody and other costs*						
Oversight		0.8	1.3	-0.5		
Trustee & custodial		0.6	0.6	0.0		
Consulting		0.7	0.9	-0.2		
Audit		0.2	0.1	0.1		
Other		0.6	0.2	0.4		
Benchmark for oversight, custody, other	10,744	2.9	3.0	-0.1	-113	-0.1 bp

Source: Draft CEM Benchmarking Report (for the 1-year period ending December 31, 2022)

Other: NHRS includes external legal fees, plan insurance, trade monitoring and proxy voting services

* Benchmarks for oversight total and individual lines are based on peer medians.

- Investment office should be viewed as a **Profit Center** versus “Cost Center”
 - Continual re-investment in the Investment Office and supporting system departments will **strengthen our execution of our fiduciary duty to maintain and grow plan assets**
- Retain Existing Staff / Attract Investment Talent to NHRS
 - **Development and retention of existing staff through competitive compensation** will support a more robust investment office with expertise to further in-source development of recommendations for portfolio and total plan
- Better oversight will support risk management by:
 - **Robust monitoring** of investment managers and advisors across portfolio
 - **Reduction of external investment expenses** over the long term through building internal capabilities

- **NHRS engaged Funston Advisory Services to review the NHRS Investment Office Strategic Plan** and present their findings to the Investment Team, the NHRS Executive Team, Independent Investment Committee (IIC) and Board of Trustees (Board)
- CIO recommends the IIC and Board approve this strategic plan, inclusive of FAS' recommendations to build out the NHRS Investment Office **over the next two to three years:**
 1. **Increase staffing with competitive compensation** across the various departments:
 - Investments (+3 professionals) per page 12
 - Finance & Accounting (+1 to 2 professionals)
 - Legal (+1 professional)
 - Information Technology (+1 to 2 functional supports)
 2. **Increase investment in our technology infrastructure** to add investment tools and capabilities supporting Investments decision-making and related activities (e.g., monitoring, validation)
 3. **Evaluate internal and external cost structures** and optimize to enhance oversight while **generating long-term strong investment performance**

New Hampshire Retirement System Investment Office Strategy Review

NHRS Board of Trustees Meeting
August 13, 2024



Overview

Funston Advisory Services (FAS) was retained to:

- Perform a high-level review of the assumptions outlined in the NHRS investment strategic plan.
- Provide constructive feedback and observations based upon peer comparisons and experience with other public retirement systems.
- Identify key critical success factors and risks to implementation of the proposed investment strategic plan.
- Construct an implementation roadmap ([Exhibit 1](#)) that identifies projected timing, milestones, responsibilities, and resource requirements. Key enhancements include:
 - **People:** Staffing and Skills Requirements, Position Description Development, Compensation Benchmarking, Organizational Design, Recruitment
 - **Process:** Multifunction Operational Model, Separation of Responsibilities, Policy and Process Documentation Development, Identification and Construction of Key Controls
 - **Data and Systems:** Application and data architecture development, capital budgeting, onboarding of consultants, RFP development and product selection (in phases); planning, implementation and integration.
- Review findings with NHRS Staff, Independent Investment Committee, and Board of Trustees.

Context – NHRS Compared to Peers

- NHRS has the most common governance structure among U.S. public retirement systems:
 - A single fiduciary board responsible for investments and benefits administration;
 - The Executive Director as the single operating report to the board;
 - Four trustees with experience in finance and investments, more than most peer boards;
 - Most typical governance policies and practices;
 - Employing an internal Chief Investment Officer and investment staff to manage investments; and
 - Utilizing a general investment consultant that reports to the Board.
- NHRS is unusual in having a separate Independent Investment Committee in addition to its fiduciary Board of Trustees.
- There are several areas where NHRS has lagging policies and practices:
 - The Board lacks direct authority to set compensation for non-management investment staff;
 - NHRS does not use compensation consultants to periodically benchmark staff compensation; and
 - Lack of periodic review of investment management cost structure by independent third-party services.

Investment Office Peer Practices

- There are multiple investing models among similar scale peer funds which all appear to have some success (see [Exhibit 2](#))
- The investing model needs to be consistent with the governance model.
- The NHRS asset allocation and portfolio complexity are similar to most of the systems in this peer group*.
- The AUM range of \$10-15 billion appears to be the point where many funds begin to build their internal investing capabilities to transition to a more sophisticated model and to support more complex portfolios.
- With 5 Investment Office staff and \$12.3 billion in AUM, NHRS is consistent with some peers; however, this is when many peers begin to build out internal middle and back-office support services.
- Peer systems with larger investment office staffs tend to have more investment officers with asset class specialization, at least a public vs. private focus.

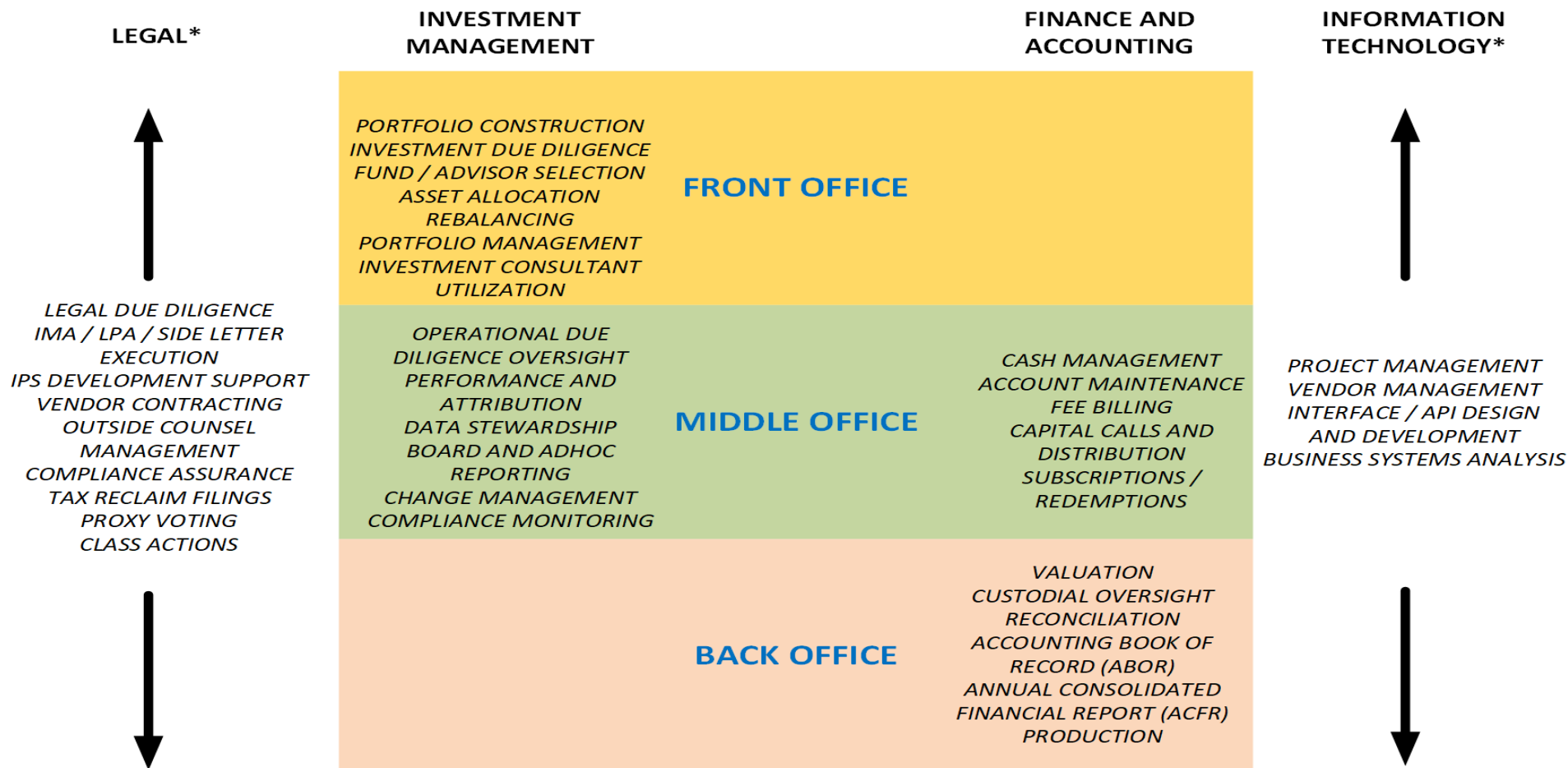
**Information based on publicly-available documents (IPS and annual reports)*

Assessment of the Draft NHRS Investment Strategic Plan

- The overall goals and approach for the NHRS investment office appear sound and appropriate based upon the size of assets under management and complexity of the portfolio.
- Enhancing utilization of portfolio information and reducing reliance on external service providers are consistent with the evolution of larger-sized plans.
- Implementation of the plan should significantly:
 - Enhance portfolio oversight;
 - Reduce investment and operational risk;
 - Improve compliance and controls; and
 - Strengthen staff recruitment, development, and retention.
- Near-term increases in investment management expenses will be necessary to address increased investments in private markets, hire new staff and acquire technology.
- The approach in this plan should provide flexibility and optimization of current resources while minimizing disruption to ongoing processes.

Proposed NHRS Investment Operating Model

(Sample Responsibilities*)



* LEGAL AND INFORMATION TECHNOLOGY SUPPORT PROVIDED TO INVESTMENT FRONT- , MIDDLE- , AND BACK-OFFICES

***See Exhibit 3 – New Positions and Job Responsibilities for additional details**

Actions Required

- Front Office
 - Recruit and develop senior-level staff and offer competitive compensation structure.
 - Develop the new organization and roles.
 - Shift investment operations functions to investment services.
- Middle- and Back-Office
 - Create new Investment Services Analyst position(s) in the investment office.
 - Hire two new Investment Operations Analysts in Investment Accounting (Finance and Accounting).
 - Hire one internal investment attorney.
 - Identify a Project Manager and a Business Systems Analyst in the Information Technology Department.
- Investment Business Systems
 - Enhance the Investment Accounting and General Ledger System.
 - Develop investment accounting reporting capabilities for the Accounting Book of Record (ABOR).
 - Acquire and implement a data repository solution and a referential data dictionary.
 - Acquire a contact and document management solution and a portfolio risk analytics system.
 - Develop a phased implementation plan for introducing new capabilities to mitigate risk and accelerate functionality rollout.

Actions Required (continued)

- Advisors and Service Providers
 - Identify additional services to be obtained from the current investment consultant.
 - Assess whether additional asset class consulting specialists or operational due diligence specialists are needed.
 - Engage a third party to perform private market investment fee validation.
 - Consider implementing a contact management solution to enhance sourcing, tracking, and monitoring of investment managers.
 - Continue to use existing external support services for transaction cost monitoring and proxy voting.
- Investment Cost Management
 - Retain CEM Benchmarking to periodically review investment fees and expenses and related performance.
 - Evaluate the fee structures of current portfolio holdings to align with maximizing investment performance while balancing cost efficiency.
 - Reassess asset class implementation and optimize as possible.
 - Refine the number of external managers and increase the average commitment level to gain economic efficiencies (as needed).
 - Continue to optimize lower fees with existing managers where possible.
 - Efficiently grow the co-investment program in private markets.

Critical Success Factors, Risks, and Benefits

- Achievement of the goals and objectives of the NHRS Investment Strategy is highly dependent on the ability of the organization to attract and retain talent by:
 - Establishing competitive compensation levels;
 - Recruiting experienced talent for specialized investments, investment services, technology support, and legal; and
 - Developing career paths for long-term growth and retention .
- Budget increases in the near-term are essential to establishing more advanced, end-to-end investment capabilities for NHRS and to creating an operating model commonly observed in peers of similar size
 - Establishing a larger front-office investment team;
 - Creating internal investment middle- and back-office capabilities;
 - Contracting for IT resources
 - Increasing internal legal support services; and
 - Acquiring and implementing third-party software services.
- Additional expenses should be offset by both quantitative improvements (e.g., reduction in external management and investment consulting fees) and by qualitative enhancements that are designed to improve decision making at the overall portfolio, asset class, and investment levels.
- Implementation of the plan will require several years to be fully realized; however, actions would be structured to deliver incremental benefits through sequencing of projects to mitigate implementation risk.

Assumptions and Objectives

Investment Office Strategy Assumptions

- A. The overall NHRS governance structure and policies will remain unchanged.
- B. Investment decision-making will shift more emphasis to internal staff from consultants.
- C. Build more internal capabilities (people and systems) for:
 - 1. Sourcing, underwriting, due diligence, monitoring, and oversight of total plan (excluding real estate);
 - 2. Development of asset class strategies;
 - 3. Investment analytics for total fund and both public and private markets funds; and
 - 4. Internal investment analytics to include, but not be limited to, exposure, performance, attribution, and risk analysis.
- D. Significantly change the approach for utilizing external advisors and other service providers:
 - 1. Reduce reliance on the general investment consultant for sourcing and underwriting in public and private mandates and recommendations;
 - 2. Engage additional specialist consultant(s) for sourcing , underwriting, and operational due diligence (ODD) in private markets and other investment strategies (as needed);
 - 3. Improve the effectiveness of investment fee validation and monitoring of the total portfolio; and
 - 4. Create a “golden source of data” available to investment applications.

Investment Office Strategy Assumptions (cont'd)

E. Reduce overall investment management costs:

1. Reduce the number of external managers and increase the average commitment level to gain economic efficiencies;
2. Look for opportunities to efficiently grow the co-investment program in private markets; and
3. Renegotiate fees with existing managers where possible.

F. In-source some legal advisory and transaction work, IT support, accounting and finance:

1. Contracting and contact management (consider acquiring a contact / document management system);
2. Compliance, class actions, litigation, tax reclamation, GP consents, proxy voting; and
3. Cash management support, Treasury functions, cash forecasting, fee invoicing.

Key Elements of the NHRS Investment Strategic Plan

<p>PEOPLE</p> <ul style="list-style-type: none"> • Develop new positions across investment front-, middle-, and back-office. • Utilize compensation benchmarking in setting compensation to attract talent. • Formalize career pathing for investment management, investment servicing, and investment accounting resources. 	<p>PROCESS</p> <ul style="list-style-type: none"> • Establish policies and practices for investment front-, middle-, and back-office processes. • Develop detailed process documentation across investment management, accounting and legal. • Build out investment compliance capabilities in design, execution and monitoring.
<p>DATA</p> <ul style="list-style-type: none"> • Capture, integrate and classify investment referential, positional, and transactional data to support intelligence and insights from technological investments. • Leverage 3rd party data mart capabilities to enhance configuration of data to provide better insights into investment portfolio. 	<p>SYSTEMS / TECHNOLOGY</p> <ul style="list-style-type: none"> • Acquire investment performance and attribution reporting capabilities to provide roll up and drill down investment analytics. • Acquire investment risk analysis capabilities to mitigate concentration and exposure risk.

Plan Assessment: Front-Office

Objectives:

- Integrate investment best practices to meet the future growth of assets under management.
- Augment and oversee advisors and consultants in generating investment ideas, implementing strategies, and managing investment reporting and analytics
- Enhance investment proficiency to align with recently approved strategic asset allocation objectives.
- Empower the investment team to transform existing information into actionable intelligence, enabling informed and differentiated investment insights.
- Optimize investment expenses and enhance long-term returns.
 1. Streamline finance and accounting functions to enhance effective monitoring;
 2. Periodic peer review of investment management costs by independent third-party services (i.e., CEM);
 3. Refine the number of external managers and increase the average commitment level to gain economic efficiencies (as needed);
 4. Look for opportunities to efficiently grow the co-investment program in private markets; and
 5. Continue to focus on minimizing fees with existing managers and general partners.

Plan Assessment: Front Office

Staffing Actions Required:

- Hire a senior private markets specialist to increase oversight, streamline execution, and implement the increased strategic allocation to this asset class.
 - Private Credit increases from 5% to 10%, Private Equity remains at 10%.
 - Establish infrastructure allocation of 5%.
 - Expected increase of fund relationships and commitments will nearly double over the next ten years as projected by Callan in the most recent private markets pacing plan.

	2023		2033	
	GP	Commitments	GP	Commitments
Private Equity	21	50	38	84
Private Credit	17	31	27	56
Infrastructure			10	15
Total	38	81	75	155

Source: Callan

- Hire an Investment Analyst to support the analytical and monitoring needs of investment team; and
- Leverage the planned two Investment Services Analyst(s) for those functions and additional investment services support on an as-needed basis [see [Exhibit 3](#)].

Plan Assessment: Middle- and Back-Office (Investment Support)

Objectives:

- Properly support the goals of the future investment management organization.
- Achieve effective segregation of duties between the investment front-office and investment support departments to improve compliance risk preventive controls.
- Promote the expansion of investment services capabilities in Investment Management, Information Technology, Finance and Accounting, and Legal departments to enable achievement of strategic plan objectives.
- Free up the capacity of investment management front-office staff to support the increase in public and private investments within the NHRS portfolio.
- Clarify job descriptions and establish a career progression path for NHRS professionals.
- Promote recruiting and onboarding efforts as a key prerequisite task to executing the steps of the strategic plan.

Plan Assessment: Investment Business Systems Needs

Objectives:

- Implement an integrated, cost-effective investment systems infrastructure to support investment management capabilities required to meet the goals of the strategic plan (i.e., cost reduction, improved long-term investment performance, enhanced internal capabilities).
- Leverage roles and responsibilities across investments and investment support functions.
- Achieve prevailing industry practice levels in the management and utilization of common investment data (i.e., referential, positional, transactional, and performance).
- Become more self-sufficient in the execution of higher-level investment functions – i.e., performance measurement, attribution, and risk analytics, and establish the flexibility to be proficient in responding rapidly to ad hoc analytical needs.
- Establish a capital budget for investment business systems initiatives in line with comparably-sized public pension systems.
- Create efficiencies in and support of external advisor / fund due diligence and the ongoing management of portfolio funds.
- Mitigate implementation and ongoing support risk through phasing.

Plan Assessment: Use of Advisors and Service Providers

Objectives:

- Increase internal staff capabilities to complement investment consultant capabilities in sourcing, underwriting, due diligence, reporting of investment decisions.
- Engage additional specialist consultants for sourcing, underwriting, and operational due diligence (ODD) in private markets and other investment strategies (as needed).
- Improve the effectiveness of investment fees validation and monitoring for total portfolio.
- Identify a “golden source” of investment data available to internal systems (see Investment Business Systems Needs).

Exhibits

Exhibit 1 - Implementation Roadmap

Initiative	FY2025				FY2026				FY2027			
	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4
Front Office:												
1. Determine investment team coverage	X											
2. Redefine focus responsibilities of Senior Investment Officers and Investment Officer(2)	X											
3. Recruit and hire: Private Markets Specialist		X										
4. Shift operational duties to Investment Services and Operations Team	X	X	X									
5. Continuing education of investment Staff	Ongoing											
Use of Advisors and Service Providers:												
1. Engage with Callan to enhance analytics capabilities and services	X											
2. Issue RFP for specialist consultant in private markets				X								
3. Retain and integrate private markets specialist consultant					X							
4. Develop and issue RFP for fee validation (privates)				X								
5. Engage with a third-party fee validation service					X							

Exhibit 1 - Implementation Roadmap

Initiative	FY2025				FY2026				FY2027			
	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4
Investment Support:												
1. Write Position Descriptions for New Positions in Investments, Accounting, IT and Legal	X	X										
2. Benchmark and Establish Compensation Targets for New Positions	X	X										
3. Recruit and Onboard 1 st Tranche of New Investment Support and Operations Positions		X	X									
4. Recruit and Onboard 2 nd Tranche of New Investment Support and Operations Positions							X	X				
Investment Technology Solutioning:												
1. Engage 3 rd party consultant to perform deeper dive on application architecture and to develop RFI/RFP for proposed data mart, performance reporting and attribution solution		X	X									
2. Draft and distribute RFI/RFP and research solutions in the marketplace			X	X								
3. Perform analysis and select solution provider(s)				X	X							
4. Develop implementation plan				X	X							
5. Execute implementation plan						X	X	X	X	X	X	
6. Enhance / upgrade solution for accounting / ABOR / GL							X	X	X	X	X	
7. Perform RFPs for risk / portfolio analytic and contact and document management solutions					X	X						

Exhibit 1 - Implementation Roadmap

Initiative	FY2025				FY2026				FY2027			
	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4
Investment Management Cost Reduction:												
1. Obtain CEM Benchmarking report and analyze for cost reduction opportunities	X											
2. Conduct portfolio fee review and identify alternative implementation approaches (if necessary) develop priorities		X	X									
3. Streamline and document process of fee monitoring and benchmarking			X	X	X	X						
4. Further develop and grow the co-investment program			X	X	X	X						

Exhibit 2 – Peer Investment Office Comparisons

Compared NHRS to a peer group of nine other integrated state public retirement systems:

- The next three smaller systems by AUM (Arkansas ERS, Missouri Local and Government ERS (MOLAGERS), Illinois Police Officers' Pension Investment Fund)
- The next six larger systems by AUM (Michigan MERS, Louisiana SERS (LASERS), Delaware PERS, Oklahoma PERS, Missouri State Employees' (MOSERS), Wyoming Retirement System)

Integrated State Funds	2023 AUM (\$Bils)	Internal Mgmt.	Manager Selection Delegated	Consultants	Inv. Staff FTEs	Comments
Michigan MERS	\$14.9	25-50%	Yes	NEPC, Townsend	11	
Louisiana SERS (LASERS)	\$13.4	30%	No	NEPC	7	
Delaware PERS	\$12.7	No	No	Windmark	0	No internal investment staff
Oklahoma PERS	\$12.4	No	No	Verus	1	All public markets: US stocks, int'l. stocks, domestic bonds
Missouri State Employees' (MOSERS)	\$11.3	20%	Yes	Verus, Meketa, NEPC, Blackstone	15	
Wyoming Retirement System	\$11.2	No	Yes	Meketa, Albourne	7	
New Hampshire Retirement System	\$11.1	No	No	Callan*	4	
Arkansas ERS	\$10.4	No	No	Callan, Stephens	2	
Missouri Local and Government ERS (MOLAGERS)	\$10.1	25-50%	Yes	RVK	8	
Illinois Police Officers' Pension Investment Fund	\$9.6	No	No	Verus	3	Started operations in 2021

* Townsend is a discretionary advisor for the Real Estate asset class

Source: Funston Advisory Services LLC research

Exhibit 2 – Peer Investment Office Comparisons

Identified five different Investment Office management “models” among the peer group:

1. Delegated manager selection with staff support and selected internal management
2. Delegated manager selection with staff support and all external management
3. Board manager selection with staff support and selected internal management
4. Board manager selection with staff support and all external management
5. Board manager selection with no staff support and all external management

Model	State Public Retirement System	Delegated Manager Selection	Internal Asset Management	Internal Investment Staff	Average Investment Staff Size
1	<ul style="list-style-type: none"> Michigan MERS Missouri State Employees' (MOSERS) Missouri Local and Government ERS (MOLAGERS) 	Yes	Yes	Yes	11.3
2	<ul style="list-style-type: none"> Wyoming Retirement System 	Yes	No	Yes	7
3	<ul style="list-style-type: none"> Louisiana SERS (LASERS) 	No	Yes	Yes	7
4	<ul style="list-style-type: none"> Oklahoma PERS New Hampshire Public Retirement System Arkansas ERS Illinois Police Officers' Pension Investment Fund 	No	No	Yes	2.5
5	<ul style="list-style-type: none"> Delaware PERS 	No	No	No	0

Source: Funston Advisory Services LLC research

Exhibit 2 – Peer Investment Office Comparisons

The NHRS asset allocation and portfolio complexity is similar to most of the systems in this peer group.

Integrated State Funds	2023 AUM (Bils)	Level of Internally Managed Assets	Inv. Staff FTEs	2022 Actual Asset Allocation ^{1/}							Portfolio ^{2/}	
				Equities (%)	Fixed Income (%)	Real Estate (%)	Private Equity (%)	Hedge Funds (%)	Commodity (%)	Misc. Alts. (%)	# of Funds	# of Managers
Michigan MERS	\$14.9	25-50%	11	54	16		9		14			
Louisiana SERS (LASERS)	\$13.4	30%	7	52	19		28		1	28	89	44
Delaware PERS	\$12.7	No	0	47	24		30				39	38
Oklahoma PERS	\$12.4	No	1	68	32						18	13
Missouri State Employees' (MOSERS)	\$11.3	20%	15	43	37			21			72	48
Wyoming Retirement System	\$11.2	No	7	47	21	14				18		
New Hampshire Retirement System	\$11.1	No	4	46	19	14				21	99	56
Arkansas ERS	\$10.4	No	2	60	19	16		5				28
Missouri Local and Government ERS (MOLAGERS)	\$10.1	25-50%	8	25	28			16	31			84
Illinois Police Officers' Pension Investment Fund	\$9.6	No	3	78	16	6					12	3

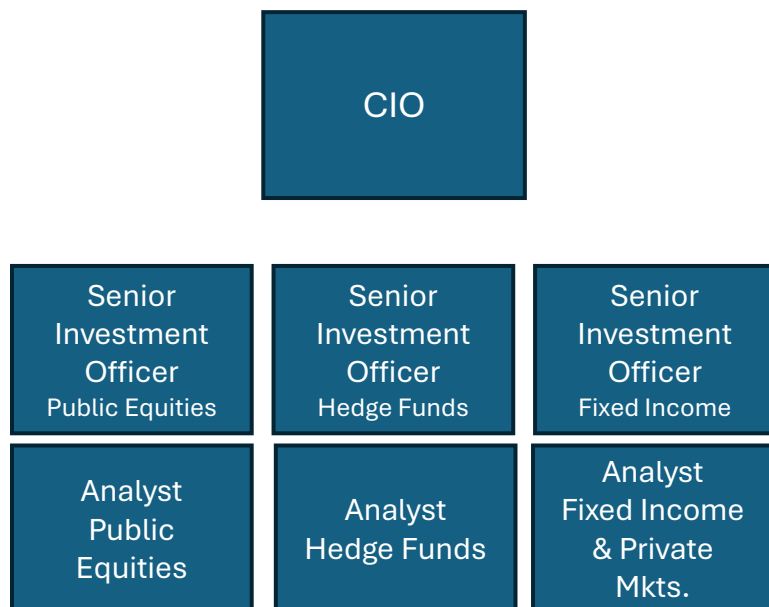
^{1/} Source: The Center for Retirement Research at Boston College

^{2/} Source: System Annual Comprehensive Financial Reports

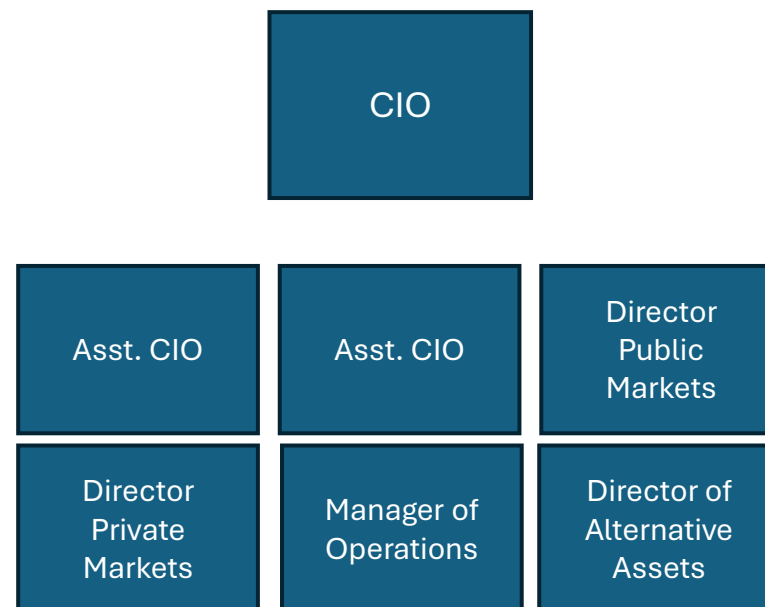
Exhibit 2 – Peer Investment Office Comparisons

Peer systems with larger investment office staffs tend to have more investment officers with asset class specialization, at least a public vs. private focus.

Wyoming Retirement System \$11.2B AUM



Louisiana SERS (LASERS) \$13.4B AUM



Source: Funston Advisory Services LLC research

Exhibit 3 – New Roles and Job Responsibilities

Investment Office: Investment Services Analyst

- Funston Advisory Services (FAS) recommends that NHRS establish two investment services analyst positions, one at a junior and one at a senior level. These associates will provide direct value-added analytic and investment support services to the investment officers across the portfolio. Responsibilities include, but may not be limited to:
 - Operational Due Diligence (ODD) Oversight;
 - Portfolio and Custom Performance and Attribution Reporting;
 - Periodic and Ad Hoc Investment Analysis;
 - Authorization of Capital Calls and Distributions;
 - Development of and Review of IMAs / LPAs (with counsel),
 - Research and Remediation of reconciliation breaks between external business systems and/or counterparties;
 - Coordination of all transitions (using third party transition managers and transition evaluators);
 - Power user of investment business systems and center of competency for investment data definitions and utilizations (positional, transactional, reference, performance) for investments.
 - Development and management of policy, practice and process documentation relating to investment management functions;
 - User acceptance testing and training of investment personnel on new business systems capabilities (as required); and
 - Document management and records retention for investment management.
 - Compliance design, execution and monitoring.

Exhibit 3 – New Roles and Job Responsibilities

Legal: Investment Legal Resource(s)

- FAS recommends that NHRS establish in house investment legal capabilities. Legal will take primary the lead for drafting and negotiating investment contracts and partnership agreements, ensuring that investment division policies and statutory/regulatory compliance rules are adhered to; serving as liaison with the IIC for investment legal matters, and coordinating with external counsel as needed.

Detailed responsibilities include, but may not be limited to:

- Legal due diligence on new private investments
- Execution of LPAs and Side Letters
- Execution of IMAs
- Compliance Assurance / Oversight (e.g., adherence to IPS, 3rd party attestations, restriction monitoring, conflicts of interest)
- Class Action and Proxy Voting Decisioning
- Counterparty Contracting and 3rd Party License Agreements
- Fee (re)negotiating
- IPS Document Development
- Tax Reclaim Filings and Appeals
- Engagement and Oversight of Outside Counsel

Exhibit 3 – New Roles and Job Responsibilities

Finance and Accounting: Investment Operations Analyst

- FAS recommends that NHRS establish two investment operations analyst positions one at a junior and one at a senior level. These associates will provide both traditional middle- and back-office support services for investments. Responsibilities include, but may not be limited to:
 - Account Set Up and Maintenance
 - Subscriptions and Redemptions Set Up and Execution
 - Capital Call and Distribution Monitoring (of custodian bank: BNY CCMS) and Execution
 - Cash Management and Cash Forecasting (with Investment Management)
 - Account Closings and Manager Terminations (operational functions only)
 - Valuation Reconciliation
 - Class Action Settlements Monitoring
 - Tax Reclaims Monitoring and Execution (cash)
 - Internal and Third-Party Compliance Oversight (external manager and custodian)
 - Oversight of Custodian Monthly Valuation – ABOR (accounting book of record)
 - Annual Comprehensive Financial Report Production
 - Development and management of policies, practices and process documentation for investment operations functions
 - External management fee tracking and payment processing
 - Benchmark / peer analysis of costs and other metrics (as desired)

Exhibit 3 – New Roles and Job Responsibilities

Information Technology: Project Manager

- FAS recommends a single point of coordination and plan management of major initiatives, especially those requiring the introduction of new business systems. Key responsibilities include, but may not be limited to:
 - Project Planning and Budget Development (with Accounting and Investments)
 - Project Resource Management (internal and external)
 - Vendor Management (during implementation phases)
 - Project Reporting (schedule, costs, scope)
 - Issues Reporting

Exhibit 3 – New Roles and Job Responsibilities

Information Technology: Investment Business Systems Analyst

- FAS recommends identification of an IT investment business systems analyst to provide ongoing subject matter expertise and an important liaison function between investments and accounting and 3rd party providers of data and business systems functionality. Responsibilities include, but may not be limited to:
 - Development of business / systems requirements (with Investment Services Analyst) of investment technology-based functionality
 - Documentation of configuration and customization needs
 - Primary point of communication with external professional services functions (vendors and third parties) for the delivery and support of customization
 - Center of excellence of product configuration capabilities of investment business systems and keeper of priority / deliverable list of enhancements