

NHRS Bill Brief: Senate Bill 28

Prepared for the Senate ED&A Committee

Summary: “AN ACT relative to an active employee member of the retirement system independent investment committee.”

Analysis: “This bill requires that one of the members on the independent investment committee of the retirement system be an active member employee appointed from a list of nominations.”

Sponsors: Sen. Cavanaugh, Dist. 16.

Background

NHRS pursues an investment strategy designed to achieve its long-term funding requirements. The goal is to meet or exceed the retirement system’s assumed rate of return over the long term, while at the same time managing the risk, return, and liquidity of the portfolio.

The Board of Trustees, with research and input from NHRS investment staff, outside experts, and a recommendation from the Independent Investment Committee (IIC), sets an investment policy that includes asset allocation targets and acceptable ranges.

The five-member IIC, which was established by statute (RSA 100-A: 14-b) on January 1, 2009, manages investments based on the Trustees’ policies, continuously monitors and evaluates performance, and makes determinations regarding the hiring and retention of fund managers.

The IIC consists of three public members and two representatives of the Board of Trustees. Public members are nominated by the Governor and must be approved by the Executive Council. Trustee members are appointed by the chairperson of the Board of Trustees.

By law, all IIC members must have “substantial experience in the field of institutional investment or finance ... taking into account factors such as educational background, business experience, and professional licensure and designations.” IIC members are fiduciaries, charged with the legal responsibility for acting in the best interests of members and beneficiaries.

This bill would not change the number of members on the IIC. Rather, it would require that the next vacancy on the committee be filled by an active member of the retirement system chosen by the Governor from a list up to 3 persons nominated by each of the following organizations: the New Hampshire State Employees' Association, the New Hampshire Education Association, the New Hampshire AFL-CIO, the New Hampshire Police Association, and the Professional Fire Fighters of New Hampshire.

Investment data

According to data compiled by NEPC, the retirement system’s investment consultant, for the five, six, seven, eight, and nine years ending June 30, 2018, a period during which the IIC made the investment decisions, total fund performance was in the top 10 percent of peer plans in the InvestorForce Public Defined Benefit Net Universe, a group of more than 100 public plans. This outperformance by the IIC relative to the peer median for the nine years ending June 30, 2018, represents more than \$535 million in additional investment returns.

By comparison, for the five, six, seven, eight, and nine years ending June 30, 2009, a period preceding the formation of the IIC, more than half of public plans outperformed NHRS. This relative underperformance represents approximately \$400 million less in investment returns than NHRS would have realized had it performed as an “average” plan.

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Note: The content provided above is for informational purposes; NHRS has not taken a position on this legislation.