

# Good governance is fundamental

There's a lot of information out there regarding the New Hampshire Retirement System, some of it fact, some of it fiction. This document, along with others in the "NHRS ... Now You Know" series, is designed to provide you with straight talk about the retirement system.

Governance practices don't make news, but they are critically important to assuring that a retirement system is running smoothly and adhering to standards that protect the best interests of its members and retirees, as well as employers and taxpayers.

The National Conference on Public Employee Retirement Systems (NCPERS) issued updated guidelines for governance best practices for public retirement systems in May 2019. The guidelines serve as a checklist, of sorts, for policies, procedures, and practices of public retirement systems such as NHRS that help ensure stakeholder needs are effectively met.

According to NCPERS, there is a strong link between pension plans that follow seven best practices and their performance. Research shows that effective governance may improve long-term investment returns by up to 2.4 percent, annually.

The NCPERS Best Governance Practices for Public Retirement Systems includes the following categories, each of which NHRS works to achieve.

**I. Governance Manual** – According to NCPERS, "a fund should adopt a governance manual that serves as a central repository for the fund's primary governance documents." NHRS' Governance Manual, first developed in 2008 and updated on an annual basis, provides the framework for our oversight and governance functions.

**II. Board Practices** – Board practices can have a proven impact on performance and risk oversight. The NHRS Board of Trustees engages in best practices to ensure strong oversight and plan performance. A few practices are:

- Conducting annual actuarial valuations to inform the Board of the fund's future financial needs;
- Using asset allocation studies to evaluate and establish asset mixes for meeting future financial needs;
- Regular presentations/training on fiduciary law, actuarial practice, capital market assumptions, and other pension-related topics.

**III. Board policies** – The NHRS Board has adopted several policies designed to guide the retirement system to its stated goals, such as standards of conduct,

ethics, and conflict-of-interest rules, as well as an Investment Policy that includes goals, monitoring procedures, and Board-risk tolerances.

**IV. Risk oversight** – NHRS' risk management includes policies and assessments that assure accountability, including external financial and actuarial audits and oversight by an independent internal auditor with direct reporting lines to the Board's Audit Committee.

**V. Strategic planning** – The NHRS Board adopts a rolling three-year strategic plan that is updated every spring and posted on our website.

**VI. Reporting: Key Performance and Risk Measures** – NHRS has nearly 100 performance metrics, which are measured monthly and reported to the Board. Other key measures reported annually include:

- The funded ratio, as measured by the ratio of fund assets to fund liabilities;
- Net annualized investment returns relative to the assumed rate of return, benchmarks, and performance relative to peer pension systems;
- Net assets available for benefits and changes thereto, as reported in the annual audit.

**VII. Stakeholder Communications** – NHRS regularly communicates with members and other stakeholders through the website, emails, newsletters, live presentations, and other sources.

At NHRS, our mission is to provide secure retirement benefits and superior service. Our policies and practices establish a foundation to ensure that NHRS operates as an efficient, trustworthy and transparent partner to our members, retirees, employers, and elected officials.