New Hampshire Retirement System

A Component Unit of the State of New Hampshire

Comprehensive Annual Investment Report

For the Fiscal Year Ended June 30, 2025

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December 09, 2025

The Honorable Kelly Ayotte, Governor
The Honorable Sharon Carson, President of the Senate
The Honorable Sherman Packard, Speaker of the House of Representatives

Annual Report for Fiscal Year 2025

The Independent Investment Committee (Investment Committee) of the New Hampshire Retirement System (NHRS, System) is pleased to present the Comprehensive Annual Investment Report for the Fiscal Year ended June 30, 2025, in accordance with the provisions of the Revised Statutes Annotated (RSA) 100-A:15, VII of the State of New Hampshire.

Asset Allocation & Summary of Results

Total assets at the end of Fiscal Year 2025 were $13.3 billion, reflecting a $1.1 billion increase compared to $12.2 billion the prior year. The System's investment portfolio is prudently managed for the long-term in order to generate adequate returns to support benefit payments promised to members. To achieve that goal, investments are broadly diversified across the following asset classes: domestic (U.S.) and non-U.S. stocks, bonds, real estate, and alternative investments.

The target allocation and range for each asset class shown below was adopted by the Board of Trustees on December 10, 2024, based on a recommendation of the Investment Committee.

Asset Class	Target Allocation	Allocation Range	Actual Allocation at June 30, 2025*
Global Equity	40%	30 - 50%	49.7%
Fixed Income	25%	18 – 32%	23.0%
Real Estate	10%	5 – 20%	8.3%
Infrastructure	5%	0 – 10%	0%
Alternative Investments	20%	5 – 25%	17.3%

* Fixed Income includes cash. Refer to Appendix C for additional detail.

As illustrated in the table, as of June 30, 2025, all asset classes were within the allocation ranges.

The NHRS return was 10.31% net of fees for the Fiscal Year ended June 30, 2025, compared to the benchmark return of 12.12%. The five-year annualized net of fees return was 9.55% compared to the benchmark return of 9.20%. The ten-year annualized net of fees return was 7.73% compared to the benchmark return of 8.05%. Note that these benchmarks do not include any management fees which would be incurred if NHRS invested in the underlying indices. Compared to our peers, NHRS ranked in the top 35% and 32% for the five and ten-year trailing periods, respectively. These rankings are based on the Callan Public Fund Large Defined Benefit Gross Universe.

Over the long-term, the 25-year annualized net of fees return was 6.63%. The System's actuarial assumed rate of return is 6.75%.

Please refer to Appendix A for a detailed review of investment performance as well as market commentary.

<u>The Investment Committee</u>

The Investment Committee is responsible for investing in accordance with policies established by the NHRS Board of Trustees (Board), and making recommendations to the Board regarding asset allocation, investment consultants, and other investment policy matters. In addition, the Investment Committee is responsible for selecting investment managers, agents, custodial banks, and reviewing performance.

The Investment Committee meets most months and is comprised of six members: three independent voting members and an active non-voting member of the retirement system appointed by the Governor and Executive Council; and two voting members of the Board of Trustees appointed by the Chair of the Board. All members are required by statute to have significant experience in institutional investing or finance. As of June 30, 2025, the Chair of the IIC was Christine Clinton, CFA, the independent member was Brian Bickford, CFA; and the active non-voting member was Michael McMahon.

The two Board members serving on the Investment Committee were Maureen Kelliher, CFA (Chair); and Paul Provost, CFP®. One vacancy remains for an independent voting member. Brief biographies and photographs of the Investment Committee members as of June 30, 2025, follow this report.

Investment Manual

The NHRS Investment Manual provides governance and oversight of the pension fund assets and is presented in Appendix C of this report. Highlights are listed below:

- The Investment Policy and Accountability Matrix provide a description of the roles and responsibilities of the Board, the Investment Committee, NHRS Staff, and the System's service providers.
- The Proxy Voting Policy and Securities Lending Policy provide specific guidance on these individual topics.
- The program's benchmarks and asset allocation policy are detailed along with discussions of risk management, liquidity, rebalancing and portfolio monitoring controls.
- Various considerations related to the oversight of investments are described, including the selection of service providers and use of active or passive strategies.
- Asset class guidelines detail portfolio construction, permissible and prohibited investment vehicles, as well as concentration limits.

The Board sets the assumed rate of return based on the recommendations of the System's actuary, NHRS Staff, the Investment Committee, and analysis provided by the investment consultant and other industry experts. A written opinion letter on this subject is included in this report as Appendix B.

Governance, Benchmarks and Measurement of Outcomes

The management and administration of the pension trust is a complex effort involving multiple stakeholders with distinct roles and responsibilities as described in the Investment Manual and in statute. At each regular meeting of the Board or Investment Committee, status reports are provided regarding the outcomes of various investment initiatives. Additionally, performance is reviewed versus benchmarks at the manager-level, asset class-level, and portfolio-level on a monthly and quarterly basis, as appropriate, and over various time-periods since the inception of a particular investment mandate or strategy to continually evaluate the portfolio.

NHRS continuously monitors the investment fees paid to managers and discloses alternative investment fees on an aggregate basis each quarter in compliance with the New Hampshire House Bill (HB) 173 passed in 2021.

Administrative Comments

The Investment Committee meets at the System's offices eight times per year and as needed. Notice is provided regarding the time, agenda and location of these meetings pursuant to RSA 91-A:2, II. The Investment Committee promotes transparency regarding the investment program through these public meetings, investment materials and reports. Meeting minutes are posted on the NHRS website. Certain investment matters may require discussion in non-public session in accordance with statute. On a regular basis, the Investment Committee receives presentations from investment managers currently retained by NHRS as well as from prospective managers.

Raynald D. Leveque was the System's Chief Investment Officer for the Fiscal Year ending June 30, 2025. Leading a team of four investment professionals, Mr. Leveque served as the primary staff liaison on investment matters. In addition, the investment team directs all aspects of the System's investment program including the development of recommendations regarding the System's overall investment strategy and asset allocation; oversight of external portfolio managers; and promoting productive relationships with investment consultants and service providers. A biography of Mr. Leveque follows this report.

Each fiscal year, NHRS produces an Annual Comprehensive Financial Report (ACFR), which details the operation and financial condition of the retirement system. This report also includes a financial section which outlines the funded status and unfunded actuarial accrued liability, in addition to other actuarial statistics. ACFR reports are available on the System's website, www.nhrs.org.

Overview of Significant Investment Committee Initiatives during the 2025 Fiscal Year:

- Transitioned to a global equity portfolio to enhance diversification and align with the Fund's long-term strategic objectives.
    - Approved the revised Investment Manual, including adoption of the new Global Equity benchmark.
- Implemented manager transitions within public equity and public fixed income to improve risk-adjusted performance.
- Advanced the buildout of the private equity and private credit portfolios with aggregate commitments of $400 million across six Funds.
- Expanded the Investment Office team and resources to further strengthen internal investment capabilities.
- Continued to grow the alternative investments program in alignment with the Fund's diversification and return objectives.
- Executed the annual real estate investment plan consistent with the long-term pacing and allocation framework.
- Continued implementation of the Strategic Asset Allocation to maintain alignment with the Fund's return and risk targets.
- Reviewed the long-term performance of all marketable investment managers against benchmarks and renewed contracts where appropriate.
- Implemented Canoe and Pitchbook platforms to enhance data management, investment research, and reporting capabilities in line with the Fund's strategic plan.
- Performed a comprehensive review of all private credit and equity commitments made since the program's restart in 2009 and adopted an annual private credit and equity investment plan.

The Investment Committee is dedicated to achieving the best long-term investment results possible within acceptable levels of risk and consistent with prudent policies and practices.

Respectfully submitted,

Christine Clinton, Chair IIC
Maureen Kelliher, Member IIC
Brian Bickford, Member IIC
Paul Provost, Member IIC
Michael McMahon, Member IIC

Jan Goodwin, Executive Director
Raynald Leveque, Chief Investment Officer

Christine Clinton

Christine Clinton has been working in the investment management industry for more than two decades after cofounding Bluestone Wealth Management LLC. Prior to Bluestone, she worked as a Corporate Controller for several high-tech start-ups in the communications, finance, and biotech industries in the Boston area. Christine is a CPA as well as a Chartered Financial Analyst® (CFA) charterholder. She is a member of the CFA Institute and Boston Securities Analysts Society. She lives in Dublin.

Brian Bickford

Brian Bickford has over 30 years of investment management experience and has been managing money in New Hampshire for more than 25 years. He is a senior vice president and director of client portfolio management at Cambridge Trust. Brian earned a Bachelor of Science degree in Business Administration at the University of Maine and a Master of Science degree in Finance at Florida International University. He is a Chartered Financial Analyst® (CFA®), a Certified Financial Planner® (CFP®) professional and a Chartered Market Technician® CMT®. Brian serves on the finance committee for the Pope Memorial SPCA in Concord, NH. He lives in Hopkinton.

Maureen Kelliher

Maureen Kelliher has over four decades of investment management experience, having served as Co-Chief and Chief Investment Officer for trust and investment management firms, as well as Money Desk Manager for several banks. She holds the Chartered Financial Analyst® (CFA®) designation and is a member of the CFA Institute. Maureen resides in Dover, New Hampshire.

Mike McMahon

Mike McMahon has been a member of Hampton Fire Rescue for nearly 30 years, where he currently serves as Fire Chief. During this time, he has served in a variety of financial and investment roles. He has spent over two decades in credit union leadership and is currently a director at Service Credit Union. Mike was a member of the 2017 Decennial Retirement Commission and serves in many other community leadership roles.

Paul Provost

Paul Provost is a 30-year veteran of the wealth management and trust business, he has led the wealth management businesses for local community banks in New Hampshire since 2002. He is the president of New Hampshire Trust Company (NHTrust), a subsidiary of New Hampshire Mutual Bancorp headquartered in Concord. Paul earned a bachelor's degree from the University of Vermont and a master's degree in Administrative Management from Saint Michael's College. He is a Certified Financial Planner®. He also serves on the boards of the New Hampshire Higher Education Loan Corporation and the Concord Hospital Trust. He previously served as a board chair for the NH Charitable Foundation, Capital Region, and the Central New Hampshire Boys & Girls Club. He lives in Concord.

Raynald Leveque

Raynald Leveque is the Chief Investment Officer for the New Hampshire Retirement System. Before joining New Hampshire in 2022, Raynald was the Deputy Chief Investment Officer for the State of Connecticut's $41 billion Retirement Plans and Trust Funds. Prior to the State of Connecticut, Raynald held leadership roles in strategic asset allocation, risk management and quantitative portfolio management at the $254 billion New York State Common Retirement Fund, and Invesco (formerly OppenheimerFunds). Raynald earned his master's degree in finance from Fordham University and a bachelor's degree in computer engineering from the Rochester Institute of Technology.

Appendix A

Investment Consultant’s Letter

Investment Performance Review & Market Commentary

Investment Reports

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Callan

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October 27, 2025

Board of Trustees
Investment Committee
Chief Investment Officer
Executive Director
The New Hampshire Retirement System
54 Regional Drive, Concord, NH 03301-8507

Dear NHRS Fiduciaries:

Callan LLC (Callan) is pleased to provide an overview of the New Hampshire Retirement System (NHRS) investment program for the fiscal year ended June 30, 2025. The capital markets registered strong returns over Fiscal Year 2025 (FY2025) across virtually all market segments. Global equity markets led the way with a return of 15.9%, as measured by MSCI ACWI IMI Index, due in part to sustained enthusiasm for AI and tech-driven growth. FY2025 was eventful from a policy and capital markets perspective, driven by President Trump's proposed universal tariff on all imports and concentrated tariffs on Chinese goods which sparked concerns over a potential trade war, supply chain disruptions, and put upward pressure on inflation. However, the U.S. economy was resilient over the Fiscal Year, notching a GDP gain of 3% (annual rate) amid interest rate cuts as the labor market showed mixed signals with a slight increase in the unemployment rate coinciding with an increase in inflation.

Despite mixed results driven by shifting monetary policies and fiscal uncertainties, FY2025 concluded with strong annual returns supported by a resilient U.S. economy, advancements in artificial intelligence (AI), and an improved outlook for inflation which gradually became muddled. The public stock and bond markets experienced significant volatility over the second half of the fiscal year. The stock market fell in 1Q25 and the bottom dropped out the first weeks of April, as investors feared a trade war and recession. An intensifying war in Gaza and Ukraine added to the anxiety. The bond market exercised its muscle in response to the policy announcements, with a sell-off and rising interest rates. Nevertheless, the markets staged an astounding comeback, which played out against a complex policy backdrop highlighted by a U.S. credit downgrade and budget negotiations in Washington. By the end of June, the Russell 3000 Index had rebounded from its 4.7% loss in 1Q25 to show a gain of 11.0% in 2Q25 and a 15.3% gain over the fiscal year. The global ex-U.S. equity markets showed their long dormant potential to diversify U.S. equities, with the MSCI ACWI ex-US Index posting a gain of 17.7% during the fiscal year amid U.S. dollar weakness, increased EU defense spending and supportive monetary policy. Emerging markets rose 15.3%, supported by a weaker U.S. dollar, strong returns from China, and strong gains in the Technology and Industrials sectors.

NHRS follows an investment strategy designed to meet its funding requirements over the long-term. Assets are allocated efficiently to ensure that beneficiaries will receive the benefits they were promised. The Fund is managed on a total return basis, while recognizing the importance of capital preservation and prudent risk management. Additionally, the Independent Investment Committee (IIC) administers the Fund in accordance with sound fiduciary standards and industry best practices. The Fund's strategic asset allocation and related objectives, parameters and specific delegation of responsibilities are explicitly defined in the Investment Policy Statement. The IIC manages the investment program pursuant to the investment policy, develops asset class guidelines, monitors and evaluates performance, and makes decisions regarding the retention or termination of asset managers. The investment manual includes all investment policies and asset class guidelines and may be obtained from the NHRS website at www.nhrs.org. The following pages report on the performance and attributes of the investment program for FY2025.

Callan

Market and Economic Review for the Year Ended June 30, 2025

During FY2025, the economy and politics were as intertwined as ever with the U.S. going through an election cycle. The early months of President Trump's second term delivered sweeping policy changes that heightened uncertainty across financial markets. From federal spending cuts to an aggressive shift in trade policy, the administration's "shock-and-awe" approach generated volatility across asset classes, sent inflation expectations higher, and provoked a sharp reaction from counterparts across the globe. As investors grappled with the shift in U.S. policy, they sought traditional safe havens, including U.S. Treasuries and gold, while U.S. equities repriced to reflect a more uncertain macroeconomic backdrop. However, the U.S. equity market reversed 1Q25 losses in 2Q25 due to a pause in tariff implementation, continued earnings growth, and stronger than expected economic indicators. The strength in the U.S. economy through June surprised nearly everyone and seems to counter the case for lower interest rates, even with the tariff uncertainty. Consumption, which makes up 70% of GDP, dipped to a growth rate of 0.4% in 1Q25, but climbed back to 1.4% in 2Q25. Companies built inventories in 4Q24 and 1Q25, which gave a boost to GDP, while inventories were drawn down in 2Q, reducing both potential production and measured GDP. Consumer confidence has rebounded after a drop in March and April and has been supported by a continuing low unemployment rate (4.1%), real wage growth, and no signs yet of a feared spike in inflation.

The Russell 3000 Index rose 15.3% over the fiscal year while the MSCI ACWI Ex-US Index rose 17.7%. Emerging markets equities, as measured by the MSCI Emerging Markets Index, returned 15.3%, underperforming non-U.S. developed markets equities. Within emerging markets, China produced strong returns to more than offset weak return in Inda. China performed well with excitement around DeepSeek's AI developments along with positive economic indicators. The fixed income market produced more modest yet strong returns despite volatile interest rates, supported by safe-haven demand following tariff-related market shocks. Fixed income ended the Fiscal Year with a return of 6.1%, as measured by the Bloomberg Aggregate Index.

NHRS Investment Portfolio Review

Total Fund Returns and Rankings for Periods Ended June 30, 2025					
Composite	**FY2025**	**3-YR**	**5-YR**	**10-YR**	**25-YR**
Total Fund (Gross of fees)	10.89%	9.67%	10.07%	8.15%	6.63%
Total Fund (Net of Fees)	10.31%	9.09%	9.55%	7.73%	6.24%
Total Fund Benchmark	12.12%	11.28%	9.20%	8.05%	6.64%
Total Fund Ranking (Gross)	44	45	35	32	49

For the fiscal year ended June 30, 2025, the NHRS Total Fund returned 10.9% gross of investment management fees (or "gross") and 10.3% net of investment management fees (or "net"), underperforming the Total Fund Benchmark return of 12.1%. The Fund's 10.9% gross return ranked in the 44th percentile relative to peers in Callan's Large Defined Benefit Public Fund Universe, which consisted of 128 constituents as of June 30, 2025 (gross of fees returns are referenced in this section, as peer group returns and related rankings are also gross of fees).

Non-US stocks, domestic stocks and high yield bonds were among the best-performing asset classes over Fiscal Year 2025. The Fund's public equity and alternatives portfolios underperformed their respective benchmarks. The Fund's underperformance over the year was mostly attributable to the more modest valuations impacting private equity and to a lesser extent private credit investments. Additionally, the disconnect between the investment results of these instruments and the public market benchmarks used to measure their performance, and associated premiums to account for liquidity risk, also contributed to these results. The private markets investment portfolio had a total return of 5.3% over the fiscal year, compared to a return of 15.1% of the benchmark. The benchmark reflects the combined return of the Russell 3000 Index, plus a premium of 2%, and the Bloomberg HY Corporate Index, plus a premium of 1%. Consistent with our experience, it is difficult for private market investments to be able to “keep up” with their public market counterparts during high momentum markets, as was the case during the Fiscal Year. In addition, an overweight to small and mid cap U.S. stocks contributed to the Total Fund’s underperformance during the Fiscal Year.

For the trailing three-year period, the Fund returned 9.7%, gross of investment management fees (9.1% net), ranking in the 45th percentile of its peers (peer group rankings are measured gross of investment management fees). For the trailing five-year period, the Fund returned 10.1%, gross of investment management fees (9.6% net), ranking in the 35th percentile of the peer group. For the trailing ten-year period, the Fund returned 8.2%, gross of investment management fees (7.7% net), ranking in the 32nd percentile of its peers, and for the trailing twenty-five-year period, the Fund returned 6.6%, gross of investment management fees (6.2% net), ranking in the 49th percentile of its peers.

During fiscal year 2025, the IIC engaged in the following activities:

- **Strategic Asset Allocation Implementation:** The IIC and NHRS Staff continue to implement the new strategic asset allocation adopted in FY2024. The new strategic allocation reduces exposure to public equity by 10%, increases the target allocation to private credit by 5% and introduces private infrastructure investments, with a target allocation of 5%.

- **Portfolio Structure Analysis:** NHRS Staff worked closely with the investment consultant to evaluate the structure of the Fund’s public equity and fixed income portfolios. This analysis is being carried out in different stages to provide the Independent Investment Committee with an evaluation of the current structure and different alternatives for consideration for the eventual implementation of the new strategic asset allocation.

- **Alternative Assets Portfolio:** Continued to implement the approved allocations within the Alternative Assets portfolio as the target allocation to private credit increased from 5% to 10% of the total fund, effective June 30, 2024. The portfolio continued to grow during 2024, with a 9.2% increase in paid-in (contributed) capital and a 13.9% increase in distributed capital through December 31, 2024. The portfolio continued to make commitments to new and existing partnerships during 2024, with $200 million in private equity commitments to three managers and $275 million in private credit commitments to three managers, in line with expected pacing. The private equity portfolio is expanding its allocation to U.S. buyout and co-investment opportunities, while the private credit portfolio increased its multi-strategy and direct lending investments during the Fiscal Year.

Callan LLC provides NHRS with strategic planning, implementation, performance monitoring services, and on-going research and education on a variety of relevant topics for institutional investors. The investment performance analysis produced by Callan has been developed using performance evaluation methodologies that are consistent with industry best practices. The performance results presented in this letter are calculated using a time-weighted returns and are reported both gross of investment management fees, as well as net of fees.

Sincerely,

Angel Haddad	Britton M. Murdoch
Senior Vice President	Senior Vice President

Callan

Investment Performance Review – Fiscal Year 2025

Global Equity Markets

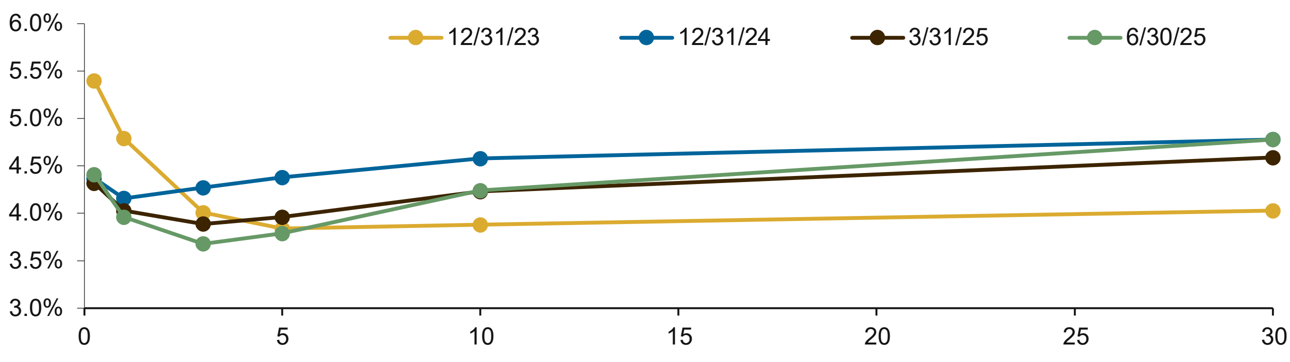
U.S. stocks registered a return of 15.3% over the fiscal year, as measured by the Russell 3000 Index. The annualized return over the past 10 years was 13.0%. All of the sectors represented in one of the most widely known equity index, the S&P 500 Index, produced positive returns over the fiscal year, with the exception of Health Care and Energy. The Financial and Utilities sectors performed best over the fiscal year, posting returns of 29.5% and 23.4%, respectively. Growth stocks outperformed value stocks within the large cap and small cap segments of the market over the period. Small cap stocks produced strong absolute returns but similar to Fiscal Years 2023 and 2024, underperformed large cap stocks, returning 7.7%, as measured by the Russell 2000 Index.

Developed non-U.S. equities and emerging market equities produced positive returns during the fiscal year. The MSCI ACWI Ex-US Index posted a return of 17.7% over the period, and emerging markets, as measured by MSCI Emerging Markets Index, posted a return of 15.3%. Non-U.S. markets delivered strong returns on the continued optimism around artificial intelligence, increased defense spending, and supportive monetary policy. Emerging markets stocks generated strong performance, but underperformed their non-U.S. developed counterparts over the fiscal year. China posted particularly strong returns over the fiscal year, +33.8% as measured by the MSCI China Index, due to with excitement around DeepSeek's AI developments along with positive economic indicators.

Fixed Income

The fixed income market produced positive returns during the fiscal year, with the Bloomberg Aggregate Index increasing 6.1%, supported by safe-haven demand following the tariff-related shocks. Performance for the Bloomberg Aggregate was strongest over the first quarter of the fiscal year as the Fed lowered rates for the first time since 2020. The Fed cut rates again in December, but held rates steady over the rest of the fiscal year, leading the Bloomberg Aggregate to provide slightly positive performance over the period. The U.S. Treasury yield curve remained inverted and experienced a notable further steepening between the 2-year and 10-year of the term structure near the end of the fiscal year. High yield corporates produced very strong returns over the period as non-investment grade spreads tightened. The 10-year U.S. Treasury yield remained at high levels relative to recent history during fiscal year 2025, beginning at 4.36% as of June 30, 2024, and ending at 4.24% as of June 30, 2025.

U.S. Treasury Yield Curves



Real Estate and Alternative Investments

The real estate market returned 2.7% for the fiscal year, as measured by the NCREIF ODCE Index, with depreciation of 0.6% and income returns of 3.3%. During fiscal year 2025, ODCE redemption queues sharply decreased, driven primarily by rescissions of redemption requests within a handful of managers with large queues as well as increased redemption payments due to increased transactions. ODCE redemption queues had exhibited significant increases over the previous two fiscal years. Real estate valuations continue to be reflective of the high interest rate environment, which has put upward pressure on capitalization rate and discount rate assumptions.

Income returns remained positive throughout each quarter of the fiscal year across all sectors. Property sectors exhibited mixed performance with the Apartment and Industrial sectors experiencing positive appreciation while the Office and Hotel sectors experienced negative appreciation.

Alternative investments posted positive returns for the fiscal year. Public equity's exceptional performance during fiscal year 2025 has continued to leave private equity in its wake following a similar environment during fiscal year 2024. Due to the "smoothing effect," private equity does not experience the sharp rises and falls that drive the public markets over the short term. Broad private equity returns were positive for the fiscal year, with all strategy types exhibiting mid to high single digit performance other than control oriented distressed strategies, which produced flat returns. Fundraising has exhibited a steep decline in the number of funds raised since 2021, which continued in 2024 with the number of private equity funds raised declining by ~40% as compared to 2023. As was the case in 2023, capital continues to concentrate with larger funds as the 10 largest funds accounted for 20% of 2024 fundraising volume.

NHRS Total Fund Performance

For the fiscal year ended June 30, 2025, the NHRS Total Fund returned 10.9% gross of investment management fees (or "gross") and 10.3% net of investment management fees (or "net"), underperforming the Total Fund Benchmark return of 12.1%. The Fund's 10.9% gross return ranked in the 44th percentile relative to peers in Callan's Large Defined Benefit Public Fund Universe, which consisted of 128 constituents as of June 30, 2025. The Fund's public equity and alternatives portfolios underperformed their respective benchmarks. The Fund's underperformance over the year was mostly attributable to the more modest valuations impacting private equity and to a lesser extent private credit investments. Additionally, the disconnect between the investment results of these instruments and the public market benchmarks used to measure their performance, and associated premiums to account for liquidity risk, also contributed to these results.

NHRS Asset Class Highlights

NHRS Asset Class	FY 2025 Return (Net of Fees)
Total Fund	**10.31%**
Total Fund Custom Index	*12.12%*
Total Global Equity	**14.90%**
Global Equity Index	*15.89%*
Total Domestic Equity	**12.49%**
US Equity Index	*15.30%*
Total Non-US Equity	**18.18%**
Non-US Equity Index	*17.83%*
Total Fixed Income	**7.12%**
Fixed Income Benchmark	*6.51%*
Total Real Estate	**4.20%**
Real Estate Benchmark	*2.67%*
Total Alternatives	**5.32%**
Alternative Assets Benchmark	*15.10%*

The NHRS Total Global Equity portfolio, comprised of both passive and actively managed portfolios, returned 14.9% (net), underperforming the strategic benchmark (MSCI ACWI IMI Index) by 99 basis points over fiscal year 2025.

The NHRS Total Domestic Equity portfolio, comprised of both passive and actively managed portfolios, returned 12.5% (net), underperforming its benchmark (Russell 3000 Index) by 281 basis points over fiscal year 2025. The

Domestic Equity portfolio’s passive large cap exposure had a 15.1% return compared to 8.7% for the small/mid-cap composite and 8.2% for the small cap composite. The small/mid-cap composite underperformed its Russell 2500 benchmark and the small cap composite outperformed its Russell 2000 benchmark.

The NHRS Total Non-U.S. Equity portfolio, which is comprised of both passive and actively managed portfolios with exposures to both developed and emerging markets, returned 18.2% (net). The Non-U.S. Equity portfolio outperformed its benchmark by 35 basis points during the fiscal year as emerging markets, international small cap, and all active core non-US equity managers outperformed their respective benchmarks.

The NHRS Total Fixed Income portfolio is comprised of passive and broadly diversified actively managed portfolios, including domestic and international exposures. This aggregate portfolio had a 7.1% return (net), outperforming the Total Fixed Income Index return by 61 basis points. An overweight to lower quality and higher yielding issues relative to the Bloomberg Universal Index had a positive impact on relative performance. Exposure to non-U.S. and slightly longer duration issues detracted from relative performance, as non-U.S. bonds and long duration underperformed other fixed income markets over the fiscal year.

The NHRS Real Estate portfolio returned 4.2% (net), outperforming its benchmark return of 2.7%. Outperformance was driven by the Strategic Core Real Estate allocation within the portfolio; the Tactical Non-Core portfolio also contributed to relative results.

Lastly, for fiscal year 2025, the Alternative Investments portfolio generated a return of 5.3% (net) while its benchmark returned 15.1%. Underperformance was driven by the private equity and, to a lesser extent, private debt allocations within the portfolio, given more modest valuations for alternative investments in 2025.

Callan

Investment Market Update (by asset type)

Index Summary (6/30/25)	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Equity Indices				
S&P 500 Index	15.2%	19.7%	16.6%	13.7%
Russell 1000 Index	15.7%	19.6%	16.3%	13.4%
Russell 1000 Growth Index	17.2%	25.8%	18.2%	17.0%
Russell 1000 Value Index	13.7%	12.8%	13.9%	9.2%
Russell 2000 Index	7.7%	10.0%	10.0%	7.1%
Russell 2000 Growth Index	9.7%	12.4%	7.4%	7.1%
Russell 2000 Value Index	5.5%	7.5%	12.5%	6.7%
Russell 2500 Index	9.9%	11.3%	11.4%	8.4%
Russell 3000 Index	15.3%	19.1%	16.0%	13.0%
MSCI ACWI IMI Index	15.9%	16.8%	13.4%	9.7%
MSCI ACWI Index	16.2%	17.4%	13.7%	10.0%
MSCI ACWI ex US Index	17.7%	14.0%	10.1%	6.1%
MSCI EAFE Index	17.7%	16.0%	11.2%	6.5%
MSCI EAFE Growth Index	11.4%	13.6%	7.9%	6.7%
MSCI EAFE Value Index	24.2%	18.4%	14.3%	6.1%
MSCI Europe Index	18.4%	17.2%	12.4%	6.8%
MSCI Japan Index	13.9%	15.0%	8.8%	6.1%
MSCI Pacific ex JPN Index	19.1%	10.4%	9.0%	5.8%
MSCI EM Index	15.3%	9.7%	6.8%	4.8%
Fixed Income Indices				
Bloomberg Aggregate Index	6.1%	2.6%	-0.7%	1.8%
Bloomberg Gov't/Credit Index	5.9%	2.6%	-0.8%	1.9%
Bloomberg TIPS Index	5.8%	2.3%	1.6%	2.7%
Bloomberg High Yield Corporate Index	10.3%	9.9%	6.0%	5.4%
S&P LSTA Leveraged Loan 100 Index	7.8%	10.1%	6.9%	4.9%
Bloomberg Global Aggregate Index	8.9%	2.8%	-1.2%	1.2%
Bloomberg High Yield Muni Index	1.8%	4.5%	3.2%	4.5%
JPM EMBI Global Diversified Index	10.0%	8.9%	1.8%	3.5%
JPM GBI-EM Global Diversified Index	13.8%	8.5%	1.9%	2.1%
Other Indices				
Bloomberg Commodity Price Index	1.0%	-4.5%	9.4%	-0.1%
S&P GSCI Index	0.3%	-0.4%	17.7%	1.5%
Alerian MLP Index	13.2%	26.1%	28.0%	5.6%
FTSE NAREIT Composite Index	9.2%	3.4%	6.7%	6.4%
NCREIF NFI-ODCE Equal Weight Net Index	2.5%	-6.3%	2.7%	4.7%

Callan

Investment Market Update (sorted by best to worst 1-year performance)

Index Summary (6/30/25)	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
MSCI EAFE Value Index	24.2%	18.4%	14.3%	6.1%
MSCI Pacific ex JPN Index	19.1%	10.4%	9.0%	5.8%
MSCI Europe Index	18.4%	17.2%	12.4%	6.8%
MSCI EAFE Index	17.7%	16.0%	11.2%	6.5%
MSCI ACWI ex US Index	17.7%	14.0%	10.1%	6.1%
Russell 1000 Growth Index	17.2%	25.8%	18.2%	17.0%
MSCI ACWI Index	16.2%	17.4%	13.7%	10.0%
MSCI ACWI IMI Index	15.9%	16.8%	13.4%	9.7%
Russell 1000 Index	15.7%	19.6%	16.3%	13.4%
Russell 3000 Index	15.3%	19.1%	16.0%	13.0%
MSCI EM Index	15.3%	9.7%	6.8%	4.8%
S&P 500 Index	15.2%	19.7%	16.6%	13.7%
MSCI Japan Index	13.9%	15.0%	8.8%	6.1%
JPM GBI-EM Global Diversified Index	13.8%	8.5%	1.9%	2.1%
Russell 1000 Value Index	13.7%	12.8%	13.9%	9.2%
Alerian MLP Index	13.2%	26.1%	28.0%	5.6%
MSCI EAFE Growth Index	11.4%	13.6%	7.9%	6.7%
Bloomberg High Yield Corporate Index	10.3%	9.9%	6.0%	5.4%
JPM EMBI Global Diversified Index	10.0%	8.9%	1.8%	3.5%
Russell 2500 Index	9.9%	11.3%	11.4%	8.4%
Russell 2000 Growth Index	9.7%	12.4%	7.4%	7.1%
FTSE NAREIT Composite Index	9.2%	3.4%	6.7%	6.4%
Bloomberg Global Aggregate Index	8.9%	2.8%	-1.2%	1.2%
S&P LSTA Leveraged Loan 100 Index	7.8%	10.1%	6.9%	4.9%
Russell 2000 Index	7.7%	10.0%	10.0%	7.1%
Bloomberg Aggregate Index	6.1%	2.6%	-0.7%	1.8%
Bloomberg Gov't/Credit Index	5.9%	2.6%	-0.8%	1.9%
Bloomberg TIPS Index	5.8%	2.3%	1.6%	2.7%
Russell 2000 Value Index	5.5%	7.5%	12.5%	6.7%
NCREIF NFI-ODCE Equal Weight Net Index	2.5%	-6.3%	2.7%	4.7%
Bloomberg High Yield Muni Index	1.8%	4.5%	3.2%	4.5%
Bloomberg Commodity Price Index	1.0%	-4.5%	9.4%	-0.1%
S&P GSCI Index	0.3%	-0.4%	17.7%	1.5%

S&P 500 Sectors (sorted by best to worst 1-year performance)

Sector	Benchmark Weight (%) as of 6/30/25	Benchmark Return (%) as of 6/30/25
Financial	14.0%	29.5%
Utilities	2.4%	23.4%
Communication Services	9.8%	23.0%
Industrials	8.6%	22.9%
Consumer Discretionary	10.4%	18.4%
Information Technology	33.1%	15.1%
Consumer Staples	5.5%	12.2%
Real Estate	2.0%	11.7%
Materials	1.9%	1.9%
Energy	3.0%	-4.0%
Health Care	9.3%	-5.9%

Note: Figures may not add up to exactly 100% due to rounding.

Summary

Callan will continue to work closely with the NHRS Investment Staff (Staff or Team) to carry forward the Fund's strategic plan, related initiatives and asset allocation implementation. We believe the new asset allocation strategy will benefit the Fund in several ways, including enhancing diversification opportunities across a mix of complementary asset classes and the potential for favorable expected risk-adjusted outcomes. The capital markets were quite volatile over the last Fiscal Year, but the portfolio continued to exhibit resilience in this environment, producing strong absolute returns above and beyond the actuarial expected rate of return of 6.75%. We will continue to work closely with Staff, as necessary, to support the needs of the Fund going forward.

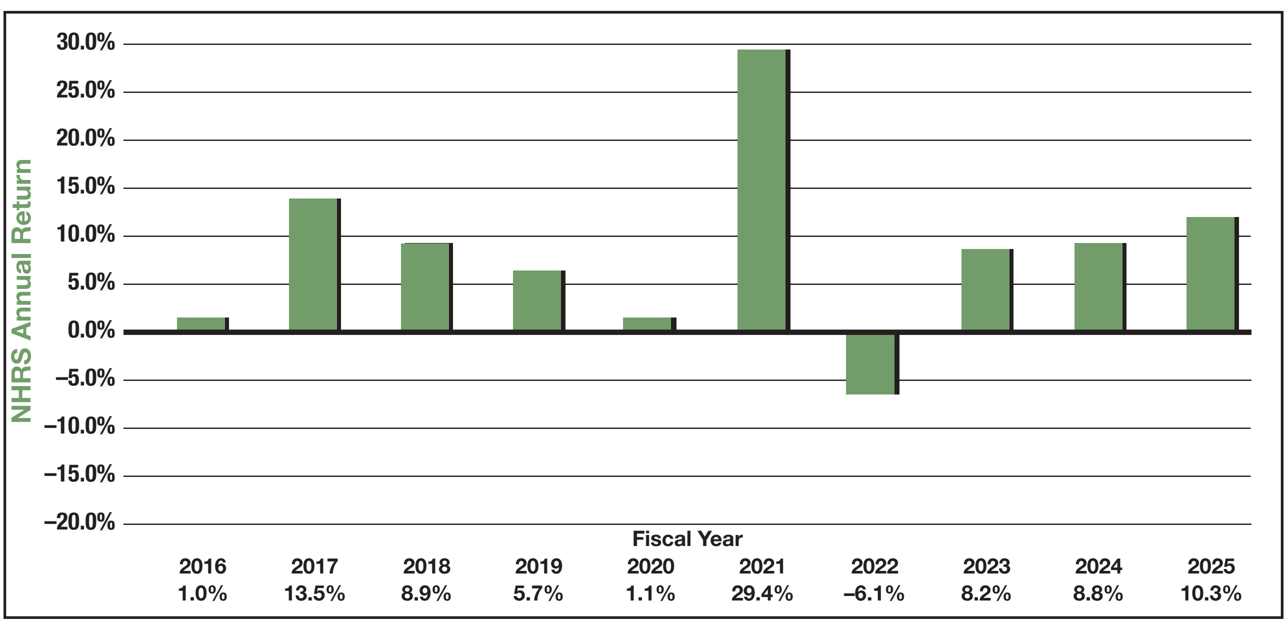
ANNUALIZED INVESTMENT RETURNS—ACTUAL VERSUS INDICES

	Current Year 2025	3-Year	Annualized 5-Year	10-Year
Total NHRS Fund	10.31%	9.09%	9.55%	7.73%
Total Fund Custom Index*	12.12%	11.28%	9.20%	8.05%
Domestic Equity	12.49%	16.20%	14.80%	11.24%
Total Domestic Equity Blended Benchmark*	15.30%	19.08%	15.41%	13.05%
Non-U.S. Equity	18.18%	16.17%	10.50%	6.68%
Total Non-U.S. Equity Blended Benchmark*	17.83%	14.02%	10.15%	6.13%
Fixed Income	7.12%	3.99%	1.16%	2.68%
Total Fixed Income Blended Benchmark*	6.51%	3.28%	(0.15%)	2.11%
Real Estate	4.20%	(3.56%)	6.10%	7.40%
Total Real Estate Blended Benchmark*	2.67%	(6.21%)	2.54%	4.42%
Alternative Investments	5.32%	4.70%	11.74%	9.08%
Total Alternative Investments Benchmark*	15.10%	18.05%	15.35%	11.85%
Cash Equivalents	4.76%	4.69%	2.84%	2.07%
90 Day T-Bills	4.68%	4.56%	2.76%	1.98%

Performance returns are calculated on a net-of-fees time-weighted rate of return basis.

*In a dynamic market, strategies and objectives evolve over time. Consequently, these benchmarks are blended due to historical investment strategy decisions. Detailed descriptions of the benchmarks above are available by contacting NHRS.

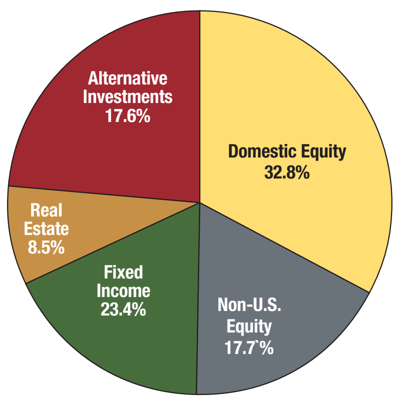
Ten-Year History of Time-Weighted Total NHRS Fund Annual Returns



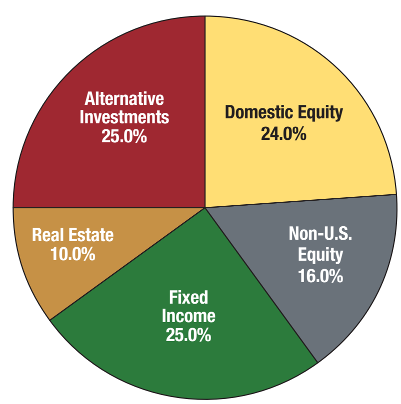
ACTUAL ASSET ALLOCATION VERSUS TARGET ASSET ALLOCATION

	As of June 30, 2025		
	Actual %	Target %	Target Range %
Broad US Equity	32.8%	24.0%	20–40
Global Ex-U.S. Equity	17.7	16.0	15–25
Fixed Income	23.4	25.0	18–32
Real Estate	8.5	10.0	5–20
Alternative Investments	17.6	25.0	5–25
TOTAL FUND	**100.0%**	**100.0%**	

Actual Asset Allocation as of June 30, 2025



Target Asset Allocation as of June 30, 2025



TEN LARGEST STOCK HOLDINGS BY FAIR VALUE*

(in thousands)

	Shares	Stock	June 30, 2025 Fair Value
1	379,476	MICROSOFT CORP	$188,755
2	1,054,821	NVIDIA CORP	166,651
3	646,011	APPLE INC	132,542
4	499,602	AMAZON.COM INC	109,608
5	93,907	META PLATFORMS INC	69,312
6	203,371	BROADCOM INC	56,059
7	251,729	ALPHABET INC	44,362
8	74,214	MASTERCARD INC	41,704
9	79,313	BERKSHIRE HATHAWAY INC	38,528
10	121,203	TESLA INC	38,501

TEN LARGEST FIXED INCOME HOLDINGS BY FAIR VALUE*

(in thousands)

	Par**	Security	June 30, 2025 Fair Value
1	44,520,000	U.S. Treasury Bond—4.375%, 2043	$42,435
2	28,529,000	U.S. Treasury Note—4.125%, 2029	28,948
3	27,710,000	U.S. Treasury Note—4.625%, 2035	28,589
4	27,331,000	U.S. Treasury Note—4.625%, 2029	28,185
5	22,590,000	U.S. Treasury Note—4.000% 2030	22,800
6	25,823,000	U.S. Treasury Bond—3.625%, 2053	21,062
7	18,805,000	U.S. Treasury Note—3.750%, 2027	18,802
8	17,655,000	U.S. Treasury Note—4.375%, 2028	18,003
9	15,280,000	U.S. Treasury Bond—4.750%, 2055	15,194
10	12,914,000	U.S. Treasury Note—4.375%, 2028	13,183

*A complete listing of separate account portfolio holdings is available by contacting the NHRS offices. NHRS also invests in various commingled investment vehicles, for which the underlying investments are custodied outside of The Bank of NY Mellon (Master Custodian for NHRS), as reported on the Summary of Investments schedule.

**Par value is denoted in local currency.

SCHEDULE OF INVESTMENT MANAGEMENT AND SERVICE FEES

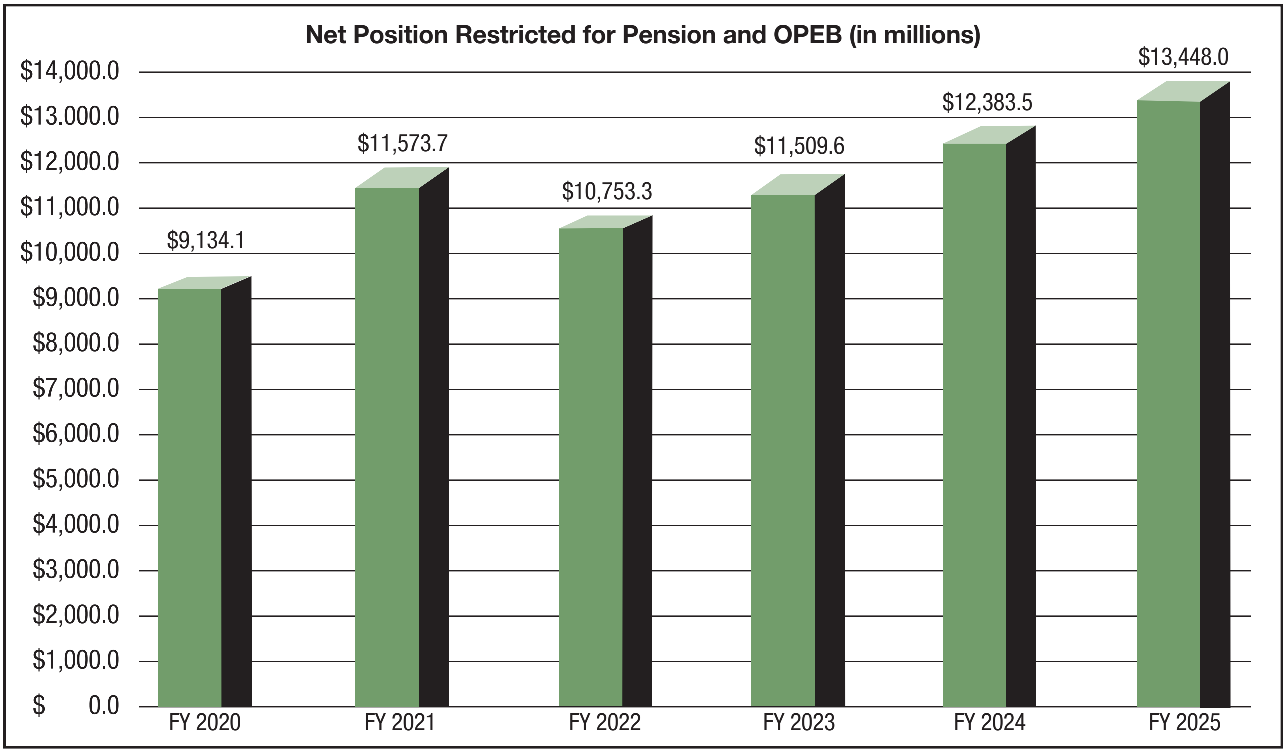
	YEAR ENDED JUNE 30, 2025		
	Assets Under Management (in thousands)	Fees (in thousands)	Average Basis Points
INVESTMENT MANAGEMENT FEES			
Equity Portfolios:			
Domestic	$ 4,285,613	$ 12,138	28
Non-U.S.	2,321,492	9,878	43
Fixed Income Portfolios	3,062,364	6,335	21
Alternative Investments*	2,306,643	20,075	87
Real Estate	1,107,467	11,518	104
Cash and Cash Equivalents	224,066		—
TOTAL INVESTMENT MANAGEMENT FEES	**$13,307,645**	**$ 59,944**	**45**
INVESTMENT SERVICE FEES			
Custodial Fees	$13,307,645	$ 1,063	1
Investment Advisor Fees — External	13,307,645	650	—
Investment Professional Fees	13,307,645	602	—
Investment Administrative Expenses — Internal	13,307,645	1,504	1
TOTAL INVESTMENT MANAGEMENT AND SERVICE FEES	**$13,307,645**	**$ 63,763**	**48**

*The custodian records all transactions on a net of fee basis.

SCHEDULE OF BROKERAGE COMMISSIONS PAID

	YEAR ENDED JUNE 30, 2025		
Brokerage Firm	Number of Shares Traded (in thousands)	Total Commissions (in thousands)	Commissions Per Share
GOLDMAN SACHS & CO, NY	9,778	$ 189	0.02
MORGAN STANLEY AND CO., LLC, NEW YORK	10,181	187	0.02
J.P MORGAN SECURITIES INC, NEW YORK	6,778	158	0.02
JEFFERIES & CO INC, NEW YORK	6,870	138	0.02
BANK OF AMERICA CORP, CHARLOTTE	4,107	107	0.03
MERRILL LYNCH INTL LONDON EQUITIES	4,468	79	0.02
UBS SECURITIES LLC, STAMFORD	4,538	70	0.02
RBC CAPITAL MARKETS LLC, NEW YORK	5,185	68	0.01
LIQUIDNET INC, NEW YORK	3,583	67	0.02
J P MORGAN SECS LTD, LONDON	6,332	63	0.01
PERSHING LLC, JERSEY CITY	2,897	55	0.02
UBS EQUITIES, LONDON	3,115	54	0.02
BARCLAYS CAPITAL, LONDON (BARCGB33)	2,293	51	0.02
BMO CAPITAL MARKETS CORP, NEW YORK	2,201	47	0.02
CITIGROUP GLOBAL MARKETS EURO, FRANKFURT	3,850	46	0.01
WELLS FARGO SECURITIES, LLC, NEW YORK	1,765	42	0.02
BNP PARIBAS FINANCIAL MARKETS, PARIS	1,667	39	0.02
INSTINET EUROPE LIMITED, LONDON	2,275	35	0.02
DEUTSCHE BANK AG, FRANKFURT	8,072	35	0.00
All Others (177 not listed separately)	67,486	1,102	0.02
TOTAL BROKERAGE COMMISSIONS PAID	**157,441**	**$ 2,632**	**0.02**

Commission detail is not included in the schedule above for the commingled funds in which NHRS invests.



SUMMARY OF INVESTMENTS

TYPE OF INVESTMENT	June 30, 2025 Fair Value (in millions)	June 30, 2025 Percent of Total Fair Value
FIXED INCOME		
Collateralized/Asset Backed Securities	$ 290.5	2.2%
Corporate Bonds	534.7	4.1%
Government and Agency Bonds	519.5	4.0%
Blackrock Strategic Income Opportunities	293.5	2.3%
Fidelity	402.2	3.1%
Manulife	232.1	1.8%
Mellon US AG Bond	747.1	5.8%
TOTAL FIXED INCOME	**$ 3,019.6**	**23.3%**
EQUITY		
Consumer Cyclical	$ 662.5	5.1%
Consumer Non-Cyclical	1,139.8	8.8%
Energy	155.1	1.2%
Financial Services	1,045.4	8.1%
Industrial Materials	830.2	6.4%
Technology	1,145.8	8.8%
Basic Materials	215.7	1.7%
Communications	527.8	4.1%
Utilities	167.2	1.3%
Blackrock Superfund	235.2	1.8%
Wellington NHT	8.7	0.1%
Wellington ISCRE	170.5	1.3%
Wellington Emerging Markets Local Equity Fund	209.8	1.6%
TOTAL EQUITY	**$ 6,513.7**	**50.3%**
OTHER INVESTMENTS		
Alternative Investments	$ 2,306.6	17.8%
Real Estate	1,107.5	8.6%
TOTAL OTHER INVESTMENTS	**$ 3,414.1**	**26.4%**
TOTAL OTHER INVESTMENTS	**$ 12,947.6**	**100.0%**

Appendix B

Gabriel Roeder Smith & Company Actuarial Opinion Letter

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800.521.0498 | P: 248.799.9000 | www.grsconsulting.com

October 24, 2025

Board of Trustees
New Hampshire Retirement System
54 Regional Drive
Concord, New Hampshire 03301

Re: Reasonableness of the Assumed Rate of Return

Dear Board Members:

The purpose of this letter is to provide our actuarial opinion regarding the reasonableness of the assumed rate of return for the New Hampshire Retirement System and to address any differences between the assumed rate of return and the expected rate of return under the System's investment policy statement as required under New Hampshire statute.

Background:

The requirement under New Hampshire statute is as follows:

RSA 100-A:15 VII.

(c) An annual investment policy statement which shall incorporate the following:

(1) A clear statement of investment objectives including the adoption of a reasonable and sound expected rate of return the retirement system is attempting to earn. The expected rate of return utilized for the statement of investment objectives shall bear some reasonable relationship to the assumed rate of return set by the trustees for the biennial actuarial calculation. *The retirement system's actuaries shall issue a written opinion in regard to the reasonableness of the assumed rate of return that shall address any difference between the assumed rate of return and the expected rate of return.*

One Towne Square | Suite 800 | Southfield, Michigan 48076-3723

We understand the current asset allocation targets and ranges, adopted by the Board of Trustees effective July 1, 2024, are based on asset liability modeling and asset allocation recommendations from investment consultants. The Independent Investment Committee reviewed the results of asset/liability and asset allocation studies and confirmed the asset allocation targets and ranges remain appropriate. Based on the 2025 capital market assumptions, Callan has indicated the following expectations for NHRS' current asset allocation:

- During the next 10-year period:
  - The expected rate of return is 7.30% per year;
  - The standard deviation is 12.00% per year; and
  - The implicit price inflation rate is 2.50% per year.

- During the next 20-year period:
  - The expected rate of return is 7.45% per year;
  - The standard deviation is 12.00% per year; and
  - The implicit price inflation rate is 2.50% per year.

In determining the assumed rate of return for the actuarial valuation, we abide by Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations, as adopted by the Actuarial Standards Board.

Under ASOP No. 27, we determine a reasonable assumption for each economic assumption. The reasonable assumption must be appropriate for the purpose of the measurement, reflect the actuary's professional judgement, take into account relevant historical and current demographic data, reflect the actuary's estimate of future experience or the estimates inherent in the market data and have no significant bias. For the investment return assumption, our analysis is based on forward-looking measures of expected investment return outcomes for the asset classes in the System's current investment policy.

For purposes of this analysis, we have analyzed the System's investment policy with the capital market assumptions from thirteen nationally recognized investment firms and the 2025 GRS Capital Market Assumption Modeler (CMAM). The capital market assumptions in the 2025 CMAM are from the following investment firms (in alphabetical order): Aon, Blackrock, BNY Mellon, Callan, Cambridge, JPMorgan, Meketa, Mercer, NEPC, Northern Trust, RVK, Verus, and Wilshire. Twelve of these firms provide capital market expectations for a 10-year horizon, eight of them provide expectations for longer horizons of 20-30 years. Capital market expectations can vary significantly from year to year and often are contrarian.

Our analysis is based on the GRS 2025 CMAM. The purpose of the CMAM is to assess the reasonability of the assumed rate of return for use in the actuarial valuations for the plan. In our professional judgment, the CMAM has the capability to provide results that are consistent with this purpose. We performed tests to ensure that the model reasonably represents that which is intended to be modeled. We are relying on the GRS actuaries and Internal Software, Training, and Processes Team who developed and maintain the model.

Actuarial Opinion:

For the June 30, 2025 valuation, the actuarial assumed rate of return is made up of a price inflation assumption of 2.25% and a real rate of return assumption of 4.50% for a total of 6.75% per year, net of investment expenses. This assumption was adopted by the Board to be effective in the June 30, 2023 valuation based on the 2019-2023 Experience Study.

Based on our independent analysis using NHRS' target asset allocation and the 2025 CMAM, the median rate of return is 6.69% over a 10-year horizon.

Over the longer horizon of 20-30 years, the median rate of return is 7.02%. The current NHRS net investment rate assumption of 6.75% is reasonable when compared to our 2025 CMAM medians of 6.69%-7.02% and Callan's 7.30%-7.45% current estimates for the expected rate of return.

It should be noted that due to the methods utilized by the GRS CMAM, differences in the underlying inflation assumption between the actuarial valuation (2.25%) and Callan's (2.50%) result in expected returns that may not be directly comparable. For example, if Callan's inflation assumption of 2.50% was used in our analysis, the expected returns discussed above based on the 2025 GRS CMAM would be approximately 0.25% higher.

Differences between the expected rate of return in the System's Investment Policy and the actuarial assumed rate of return are attributable in part to the different objectives of the measurement. Key differences are:

- The Investment Policy focuses on asset allocation decisions and establishes benchmarks for manager performance. The assumed rate of return is a long-term assumption for funding policy.
- The Investment Horizon of 10 years in the Investment Policy is based on a shorter time frame than used to determine the assumed rate of return which can be 20-30 years or longer. When focusing on the 20- to 30-year time horizon, the policy and the actuarial assumption produce similar expected returns.

Given the purpose and use of the different assumptions, different results are not uncommon. Under the current actuarial standard of practice, the current assumed rate of return for valuation purposes is reasonable and, therefore, meets the requirements of those standards.

Governmental Accounting Standards Board (GASB) Statement No. 67:

The statutory funding requirements of RSA 100-A:16 and the NHRS' Actuarial Funding Policy call for the NHRS pension unfunded actuarial accrued liability as of June 30, 2017 to be amortized through 2039. Each subsequent change in liability as calculated in odd-numbered years shall be separately amortized over a fixed period of no longer than 20 years. Based on this, the GASB discount rate will be equal to the assumed rate of investment return of 6.75%.

Jeffrey T. Tebeau, Heidi G. Barry, and Casey T. Ahlbrandt-Rains are independent of the plan sponsor, are Members of the American Academy of Actuaries (MAAA), and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,
Gabriel, Roeder, Smith & Company

Jeffrey T. Tebeau, FSA, EA, FCA, MAAA

Heidi G. Barry, ASA, FCA, MAAA

Casey T. Ahlbrandt-Rains, ASA, FCA, MAAA

JTT/HGB/CTA:dj

Appendix C

Investment Manual

NHRS Investment Philosophy

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The NHRS Investment Manual can be accessed by clicking here.

Changes to the NHRS Investment Policy

This document outlines changes to the NHRS Investment Policy since the founding of the Independent Investment Committee (IIC) under RSA 100-A:14-b, on January 1, 2009.

Assumed Rate of Return

The Board of Trustees (Board) approved the following based on recommendations of the IIC. All changes were effective starting July 1 of the fiscal year subsequent to approval.

- May 10, 2011: 8.50% to 7.75%
- May 10, 2016: 7.75% to 7.25%
- June 9, 2020: 7.25% to 6.75%

Asset Allocation Targets and Ranges

The Board adopted the following changes based on recommendations of the IIC. All changes were effective at the start of the month subsequent to approval.

- July 13, 2010:
  - Domestic Equity allocation range changed from 26 - 43% to 20 - 50%.
  - Non-U.S. Equity target allocation increased from 15% to 20% and the 5% target allocation to Global Equity was removed. The Non-U.S. Equity allocation range changed from 11 - 19% to 15 - 25%.
  - Fixed Income allocation range changed from 26 - 34% to 25 - 35%.
  - Real Estate range changed from 5 - 15% to 0 - 15%.
- September 11, 2012:
  - Fixed income target allocation was reduced from 30% to 25%. The allocation range changed from 25 - 35% to 20 - 30%.
  - Alternative Investments target allocation was increased from 10% to 15%. The allocation range changed from 0 - 15% to 0 - 20%.
- June 9, 2015:
  - Real Estate allocation range changed from 0 - 15% to 5 - 20%.
  - Alternative Investments allocation range changed from 0 - 20% to 5 - 25%.
- May 14, 2019:
  - U.S. Equity allocation range changed from 20 - 50% to 20 - 40%.
- December 12, 2023:
  - Domestic Equity and Non-US Equity target allocation decreased from 50% to 40%.
  - Private Credit target allocation increased from 5% to 10%.
  - Infrastructure asset class was created with a target allocation of 5%.
  - All changes were effective in Fiscal Year 2025.
- **December 10, 2024:**
  - **New allocation range created for Global Equity of 30% to 50%.**
  - **New allocation range created for Global Infrastructure of 0% - 10%.**

- **Private Credit allocation range changed from 0% - 10% to 0 – 15%.**
- **Fixed Income allocation range changed from 20 - 30% to 18 - 32%.**
- **New allocation range for Cash of 0% - 5%.**

Benchmark Changes

The IIC approved the following changes which were subsequently reviewed by the Board. All changes were effective starting July 1 of the fiscal year subsequent to approval.

- April 24, 2015:
  - The U.S. Equity benchmark changed from the Russell 3000 Index to the S&P 500 Index.
  - The Real Estate benchmark changed from the NCREIF Property Index + 50 basis points to the NCREIF NFI-ODCE Index.
  - The Alternative Investments benchmark changed from the S&P 500 Index + 5% or Consumer Price Index + 5% to the following:
    - 33.3% Private Equity: S&P 500 Index + 3%.
    - 33.3% Private Debt: S&P/LSTA U.S. Leveraged Loan 100 Index.
    - 33.3% Opportunistic:1-month LIBID + 5%.
- May 14, 2019:
  - The Opportunistic benchmark was eliminated and the Alternative Investments benchmark was changed to the following:
    - 66.7% Private Equity (S&P 500 Index + 3%).
    - 33.3% Private Debt (S&P LSTA Leveraged Loan 100 Index).
- June 18, 2021:
  - The U.S. Equity benchmark changed from the S&P 500 Index to the Russell 3000 Index.
- June 14, 2022:
  - The Private Equity benchmark was updated from the S&P 500 + 3% to the Russell 3000 +2%.
  - The Private Debt benchmark was updated from the S&P/LSTA U.S. Leveraged Loan 100 Index to a blend of (50% S&P/LSTA 100 Index and 50% Bloomberg High Yield Index) + 1%.
- **December 10, 2024:**
  - **The Global Equity asset class benchmark MSCI All Country World Investable Market Index (MSCI ACWI IMI) was adopted.**
  - **The Global Infrastructure asset class benchmark Consumer Price Index (CPI) + 400 basis points for the asset class was adopted.**
- **February 11, 2025:**
  - **The Non-US Equity benchmark was updated to the MSCI All Country World excluding US Investable Market Index (MSCI ACWI ex. US IMI) from the MSCI All Country World Ex-U.S. Index.**

NHRS Investment Philosophy:

Adopted by the Investment Committee at the July 17, 2009 meeting

Purpose: The New Hampshire Retirement System ("NHRS" or "System") Investment Philosophy sets forth guiding principles for the management of the investment program.

Description of the Fund: The NHRS is a defined-benefit pension plan. Contributions to the plan are made by employees and employers participating in the System. These contributions are invested to support the payment of plan benefits and to pay reasonable expenses of administering the System.

The System's assets are invested pursuant to the Constitution of the State of New Hampshire and all applicable statutes and are managed in accordance with the NHRS Statement of Investment Policy for the exclusive purpose of providing plan benefits to members and beneficiaries. NHRS plan fiduciaries are beholden to a duty of loyalty and a standard of care as described in RSA 100-A:15. The Board of Trustees ("Board") and the Investment Committee ("Committee") seek the advice and assistance of internal and external professionals and shall exercise conscious discretion when making investment decisions. The Committee members recognize their fiduciary duty to invest the System's funds prudently and in continued recognition of the fundamental long-term nature of the System.

The NHRS investment program has a distinctive profile. The objective of supporting plan benefits is one primary differentiator from the goals of other types of institutional investors, for example, endowments or foundations. The NHRS also differs from other public pension plans because each plan has its own distinctive characteristics such as benefit structures and legislative mandates. The System has a high proportion of retirees relative to actively-contributing members. The demographics of a mature plan require more liquidity from the investment program because contributions into the plan do not fully offset the benefits paid. Additionally, the size of the NHRS investment program provides the System with the ability to invest in certain opportunities but may not provide the scale necessary to gain access to other opportunities. All of these factors guide the design of the NHRS investment program.

Investment Objectives: The NHRS pursues an investment strategy designed to support the long-term funding obligations of the plan. The Board adopts an assumed rate of return and sets asset-allocation policy. The Committee manages the components of the investment program with the goal of achieving the plan's objectives with a comprehensive understanding of risk. This involves designing a program that balances expected return and risk over long time periods through a range of market conditions. For the reasons previously mentioned, peer performance or universe comparisons are not the most appropriate measurements of the effectiveness of the NHRS investment program. Performance comparisons within the context of the stated investment objectives will promote alignment with the System's mission.

The primary objective of the Committee is to manage the investment program to support the payment of plan benefits over the long-term. A secondary objective is to exceed the policy benchmark on a net-of-fees basis over a three to five-year period.

NHRS Investment Philosophy:

Market View and Context: The Committee believes that financial markets are largely, but not entirely, efficient. This means that there is a central tendency to the markets and that in some developed and accessible segments it is difficult to gain an advantage relative to other investors. However, there are areas of the market in which inefficiencies exist due to more limited access, information, coverage, or other factors; and investors can benefit from participation in these areas. Investment opportunities emerge and evolve over time and the NHRS Committee, staff, and consultants will remain vigilant concerning market developments in order to identify these opportunities and to build a sustainable advantage.

Diversification: The Board and the Committee recognize that it is necessary to maintain broad diversification both among and within various asset classes. The asset allocation of the investment program will be reviewed monthly by staff relative to the asset-class policy targets and ranges established by the Board in the Statement of Investment Policy. Staff shall strive to maintain the System's asset allocation within policy ranges. When rebalancing assets already within ranges, staff will give due consideration to market conditions, costs and risks of implementation, potential impacts on manager-level performance, and other relevant factors.

Portfolio Structure and Implementation: The Committee may utilize a combination of passive and active management strategies. The goal of passive management is to gain diversified exposure to the desired asset class while incurring minimal expense and seeking performance returns comparable to the asset class benchmark. The goal of active management is to exceed the performance of the appropriate benchmark on a net-of-fees basis, measured across market cycles, at a commensurate level of risk. The Committee will structure the program and implement its philosophy through the use of external investment management firms.

Performance Measurement: The ultimate measurement of the pension plan is how well it achieves its funding objectives and supports plan benefits. This is a shared responsibility between the Board who set the assumed rate of return and also determines the contribution rates and the Committee who seek to augment those contributions with investment returns over the long term. Achievement of the plan objectives in absolute terms is contingent on sound return assumptions and the execution of a clear investment process which recognizes that market conditions will vary over time.

Relative investment performance can be an important measurement tool. The Board adopts specific benchmarks which represent the standards of measurement used for the various asset classes utilized by the NHRS. Individual managers are also measured relative to benchmarks. As a model for performance measurement of the investment program, the NHRS uses a plan-level policy benchmark comprised of index returns (or proxy asset returns in the case of illiquid assets) weighted to reflect the asset-allocation policy targets set by the Board. This provides insight into the ways in which the actual portfolio performs relative to a passively-managed representation of plan policy during various market conditions.

Since investment returns will vary under different economic conditions and market cycles, an optimal period for effectively measuring performance would span three to five years or more. NHRS returns are expected to exceed the relevant benchmark on a net-of-fees basis over time.

NHRS Investment Philosophy:

Risk: Risk must be viewed within the context of the total portfolio. Since most risks are not readily quantifiable, defining the appropriate level of risk and creating a portfolio that reflects a reasonable balance between potential risk and return is a matter of judgment. Risk comes in a variety of forms including the risk of the unknown, liquidity risk, valuation risk, regulatory risk, geopolitical risk, and volatility risk as well as excessive diversification, fraud, inconsistency of investment discipline, and the risk of the destruction of capital. The Committee takes a broad view of risk in its oversight and endeavors to mitigate risk through rebalancing, monitoring managers, and conducting strategic reviews of the portfolio.