



New Hampshire Retirement System
54 Regional Drive, Concord, NH 03301
Phone: (603) 410-3500 - Fax: (603) 410-3501
Website: www.nhrs.org - Email: info@nhrs.org

TO: Senator Sharon Carson, Chair, Senate Executive Departments & Administration Committee
Representative Carol McGuire, Chair, House Executive Departments & Administration Committee

FROM: New Hampshire Retirement System Board of Trustees
(Prepared by Jan Goodwin, Executive Director)

RE: Quarterly Report to the General Court – October 1, 2022

Dear Senator Carson and Representative McGuire:

Pursuant to RSA 100-A:14, VII-a, the Board of Trustees of the New Hampshire Retirement System (NHRS, the retirement system) is submitting this quarterly report to the General Court.

Here is a summary of NHRS activities during the quarter ending September 30, 2022:

- Trustees in July certified employer contribution rates for fiscal years 2024 and 2025 pursuant to RSA 100-A:16, III. The rates were developed by GRS, the NHRS consulting actuary, in the biennial actuarial valuation for the year ending June 30, 2021. The new rates take effect on July 1, 2023, which marks the start of the 2024 fiscal year. Overall, rates decreased primarily due to strong investment performance over the five-year period ending June 30, 2021.
- NHRS expects to have final investment returns for the fiscal year ended June 30, 2022, in early October. Unaudited trust fund assets stood at \$10.6 billion on June 30, 2022.
- Pursuant to its authority under RSA 100-A:15 VII(d) to seek legislation “in order to better serve the members of the system,” the Board voted in August to authorize staff to seek a sponsor for 2023 legislation that would make technical corrections to RSA 100-A that would clarify ambiguous passages to comport with NHRS’ long-standing statutory interpretations, address areas where the statute conflicts with federal law, and delete extraneous or contradictory language.
- The Board in September unanimously approved the NHRS statutory administrative budget for Fiscal Years 2024 and 2025, which was subsequently submitted to the Department of Administrative Services.
- The multi-year upgrade of the NHRS pension database (“PGV3”), which began in January 2019, is now 65% percent complete.
- Jaffrey Town Manager Jon Frederick was confirmed in September as the municipal employer member of the Board. He replaced Scott Myers, who left his position as Laconia town manager.
- Trustee Bill Hart (police member) left the Board in July due to retirement and Trustee Scott Christensen (public member) stepped down in August when his term expired.

In addition to this cover letter, the report contains:

- An executive summary of NHRS Board and staff activity from July through September.
- The minutes of the following Board meetings: July 12, 2022; August 9, 2022; September 13, 2022 (draft).

- Investment information on Total Fund through March 31, 2022, which is the most recent data available.
- Monthly investment information through August 31, 2022, which is the most recent data available.
- Frequently asked questions regarding employer contributions for FY 2024-25.

If you have any questions or would like additional information, please do not hesitate to contact me.

Respectfully,

A handwritten signature in blue ink that reads "Jan Goodwin". The signature is written in a cursive, flowing style.

Jan Goodwin
Executive Director

cc: Office of Governor Christopher Sununu

**Executive Summary of
New Hampshire Retirement System (NHRS)
Board of Trustees Meetings**

July 12, 2022, to September 13, 2022

At the July 12, 2022, regular monthly meeting of the NHRS Board of Trustees, the Board unanimously voted, with one abstention, to certify employer contribution rates for fiscal years 2024 and 2025, which are decreasing largely due to strong investment performance over the five-year period ending June 30, 2021.

Prior to the vote, Trustee Myers commented on the effects of the fiscal years' 2022 and 2023 increase in the employer contribution rates, providing examples from the Lakes Region, and noting the significant dollars that are staying in communities as a result of the rate decrease in FY 24-25.

At the August 9, 2022, regular monthly meeting, the Board voted unanimously to accept the Legislative Committee's recommendation that the Board support draft legislation prepared by staff to make technical correction amendments to RSA 100-A. Pursuant to RSA 100-A:15 VII(d), the Board may seek legislation "in order to better serve the members of the system."

Trustee Maureen Kelliher presented her report on the Independent Investment Committee (IIC), which met on July 22. She informed the Board of the resignation of IIC member Scott Hammond.

At the September 13, 2022, regular monthly meeting the Board unanimously approved the NHRS statutory administrative budget for Fiscal Years 2024 and 2025 which was subsequently submitted to the Department of Administrative Services.

Throughout the quarter, the Board received regular monthly updates on the status of the retirement system's multi-year pension administration system upgrade project (PGV3), which will replace the current 21-year-old system (PGV2) NHRS is currently using. The project is 65% completed.

Additional details regarding actions and discussions of the NHRS Board of Trustees may be found in the archive of meeting minutes posted on www.nhrs.org. The direct link to this page is:

<https://www.nhrs.org/about-nhrs/board-of-trustees/meeting-minutes>

NHRS Board of Trustees

Minutes – July 12, 2022

Note: These minutes from the July 12, 2022 Public Session were approved and executed at the August 9, 2022 Board of Trustees’ meeting.

Board of Trustees

July 12, 2022

Public Minutes

**New Hampshire Retirement System
54 Regional Drive
Concord, New Hampshire 03301**

Participating: *Trustees Tim Lesko, Chair; Scott Christensen, Christopher Coates*, Sue Hannan, Bill Hart, Maureen Kelliher, Germano Martins, Ken Merrifield, Monica Mezzapelle, and Scott Myers.*

Absent: *Trustees Robert Maloney, Andrew Martineau, and Don Roy.*

**This Trustee participated remotely because of meeting conflicts, as permitted under RSA 91-A:2. As a result, all votes, in which that trustee participated, were by roll call.*

Staff: Jan Goodwin, Executive Director; Mark Cavanaugh, Associate Counsel and Compliance Officer; Larry Johansen, Director of Investments; Heather Fritzky, Interim Director of Finance; Frank Clough, Director of Information Technology; Marty Karlon, Director of Communications & Legislative Affairs; Nancy Miller, Director of Member Services; Diana Crichton, Esq., Hearings Examiner; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Tracy Knight, Project Manager; Ann Stetson, Senior Business Analyst; Matthew Dahl, IT Help Desk Technician; and Christine Rice, Administrative Assistant.

Chair Lesko called the July 12, 2022, regular meeting of the NHRS Board of Trustees to order at 10:00 a.m.

A quorum was established and Chair Lesko called for a vote to approve the minutes of the June 14, 2022, Board meeting. On a motion by Trustee Hart, seconded by Trustee Myers, the Board voted to approve the June 14, 2022, meeting minutes, with Trustees Christensen, Hannan and Merrifield abstaining. Trustee Coates joined the meeting remotely after the vote.

Trustee Mezzapelle opened with her report on the Audit Committee, which met immediately prior to today’s Board meeting. The Committee discussed the status of internal audit activities and heard updates on the FY23 Audit Plan, including the Pension Recoupment Audit, which is in process with the expectation of its completion following the GASB audits. Trustee Mezzapelle closed her report, noting that internal auditors had completed all of the GASB audits which are now under review with Internal Audit.

On behalf of Trustee Roy, Mark Cavanaugh, Associate Counsel and Compliance Officer,

gave the Governance Committee report, noting it had met immediately following the June 14 Board meeting and discussed the annual renewal of cyber insurance coverage. Mr. Cavanaugh provided a detailed account of the various quotes from insurers, including from NHRS's incumbent carrier, Cross Insurance, whose premium came in slightly increased for the same level of coverage and provided a quote to expand the System's coverage from \$3 million to \$5 million for more protection because of the heightened risk of security breaches nationwide. Attorney Cavanaugh reported that the Committee reviewed five additional quotes, all of which were significantly higher. The Committee recommended approval of the policy from Tokio Marine. On a motion by Trustee Hannan, seconded by Trustee Hart, the Board unanimously voted to approve the recommendation of the Governance Committee to secure the cyber insurance policy from Tokio Marine with a \$5,000,000 coverage limit, a \$25,000 deductible, and a premium cost of \$40,370.85.

Trustee Kelliher presented her report on the Independent Investment Committee (IIC, Committee), which met on June 24, with updates from Director of Investments Larry Johansen on investment returns through recent time-periods, asset allocation, and liquidity. Mr. Johansen also provided the status of NHRS' three Russian holdings, which remain suspended from trading. He then gave an update on the Work Plan, and noted the revised schedule of the 2022 IIC meetings, which would take place in the afternoon immediately following the Board meetings beginning in September. Trustee Kelliher noted the IIC voted to renew the following investment managers' two-year contracts: Artisan Partners (Artisan); Causeway; BlackRock; Boston Trust Walden; Segall Bryant & Hamill; and Wellington. The Committee deferred action on the Neuberger Berman contract renewal.

Trustee Myers delivered the Legislative Committee report, noting the Committee had not met since May. He turned the Board's attention to a letter from the System's actuary, GRS, on HB 1587, regarding the modified calculation for compensation over base paid to Group II members hired before July 1, 2011, and who had not become vested prior to January 1, 2012. Trustee Myers mentioned Director of Communications and Legislative Affairs Marty Karlon and staff would present legislative proposals to the Committee for review prior to the next Board meeting in August. Trustee Myers closed his report with a brief response to an inquiry related to the pre-funding of the actuarial cost of HB 1587, which will be paid to NHRS by the state.

Trustee Coates presented the Benefits Committee report, noting the Committee met on June 29 to review the recommendation of actuarial assumptions, presented by GRS, for calculating the costs of service purchases of certain Group II members as provided under SB 363. The committee voted unanimously to recommend to the full Board that it adopt GRS's recommendation for the actuarial assumptions. Executive Director Goodwin explained that SB 363 requires that a member pay the full actuarial cost of the service being purchased and that GRS recommended conservative assumptions to factor for those costs. She then turned the floor to Heidi Barry of GRS to answer any questions. With no inquiries or further discussion, on a motion by Trustee Hart, seconded by Trustee Mezzapelle, the Board voted to approve the recommendation of the Benefits Committee to adopt the actuarial assumptions for the Group II service purchases, as presented.

Trustee Coates then noted that the Committee held a non-meeting to discuss a disability re-exam with legal counsel, and adjourned upon returning to its public meeting.

Trustee Hart gave the report of the PPCC, which met on June 27 during which Director

of Human Resources Rosamond Cain provided updates on recruitment efforts for various positions in multiple departments, with a focus on the candidates for the Director of Investments and the Director of Finance, with finalists for each position scheduled for interviews next week. At the meeting, Ms. Cain noted ongoing recruiting for three open positions in IT, an Information Security Administrator, IT Systems Support Specialist, and an Imaging Specialist. She reported that the recruitment for the added position in Finance of an Employer Reporting Specialist is under way. Trustee Hart stated the Committee went into non-public to discuss the FY 23 Non-Union Compensation Plan.

At 10:33 a.m., on a motion by Trustee Hannan, seconded by Trustee Hart, the Board voted unanimously to enter into non-public session under RSA 91-A:3, II(c) to discuss matters which, if discussed in public, would likely adversely affect the reputation of a person, other than a member of the public body itself.

At 10:43 a.m., on a motion by Trustee Hannan, seconded by Trustee Hart, the Board voted unanimously to conclude the non-public session.

Chair Lesko turned the floor to Ms. Barry, who provided highlights from GRS's detailed presentation to the Board last month. She focused on the 2020 and 2021 investment returns noting they had the biggest impact on the employer contribution rate, adding that the smoothing method that GRS uses helped with the losses in market returns in FY 2020 and subsequently resulted in lower rates for FY 2024 & 2025.

Trustee Myers commented on the effects of the Fiscal Years 2022 and 2023 increase in the employer contribution rates, providing examples from the Lakes Region, and noting the significant dollars that are going back into communities as a result of the rate decreases in FY 24-25. On a motion by Trustee Hart, seconded by Trustee Hannan, the Board voted to accept the Fiscal Year 2021 Valuation Report, as presented. Trustee Christensen abstained. On a motion by Trustee Martins, seconded by Trustee Hannan, the Board voted to approve and certify the Employer Contribution Rates for Fiscal Years 2024 and 2025 based on the Fiscal Year 2021 GRS Actuarial Valuation Report, as presented. Trustee Christensen abstained.

Mr. Karlon mentioned that PIO would be posting the rates on the NHRS website, and sending out a press release to participating employers following the Board meeting. He commented that when the rates decrease, there is the misconception that they will keep decreasing. He informed the Board that PIO would address that misconception in the FAQs section on the System's website.

Chair Lesko then turned to Ms. Goodwin to commence the operating reports. She opened her Executive Report with the KPMs, which came in this month at 97.6%, and noted that the 12-month rolling average came in at 95.2%. She then gave a status report on the PGV3 project, which is 58% complete, noting continued work on Deliverable 5 (D5) with weekly design review meetings. She referred back to the KPMs, adding that she met all three Executive Director KPMs this month, and that Internal Audit missed one of seven KPMs, which was relative to executing and presenting a planned or unplanned Audit every two months to the Audit Committee. She explained the missed KPM was because of the review of the high volume of GASB reports. Ms. Goodwin noted, including Internal Audit, there were two missed KPMs agency-wide.

She mentioned the continued success of the Contact Center achieving its goals, commenting on its value to the System with helping to answer many queries from

members, and especially aiding them with completing retirement applications. She reviewed her monthly calls to members on NHRS's customer service, adding that those she had contacted provided positive feedback. In closing, Ms. Goodwin turned the Board's attention to her document on her vision for NHRS, which lists nine areas of focus. She gave a brief overview of each item, and in closing, encouraged communication and feedback. A brief discussion followed. She concluded her report with her FY 22 and FY 23 action plans.

Mr. Johansen opened his report on Investments with KPMs, noting his department met six of six applicable KPMs this month. In closing, he reported that his FY 22 Work Plan is on, or ahead, of schedule and any revisions to the FY 23 action plan would occur upon the hiring of his successor.

Mr. Karlon presented his operating report, commenting that his department has been working with Member Services, Legal, LRS, and GRS in preparation of the implementation of the seven bills related to NHRS enacted in 2022. Over the next two months, PIO will be holding a new employer education webinar with Member Services on termination forms, to help employers with finalizing benefits.

Director of Member Services Nancy Miller provided her report beginning with her department's work of entering 750 plus new retirees onto payroll, and the continued simultaneous involvement in PGV3 work on D5. In addition, she noted her department's involvement with addressing the complex changes that would come with the implementation of new legislation. In closing, she noted Member Services would be assisting PIO with employer trainings, and lastly, she updated the Board on recruiting for a Benefits Specialist.

Heather Fritzky, Interim Director of Finance, presented her operating report, and provided the fiscal year net position, as of May 31, 2022, of \$11.116 billion, noting it was \$11.046 billion a year ago. Ms. Fritzky stated cash flows were as expected for the month and for year-to-date. She proceeded to discuss the budget vs. actual, noting spending is below budget in total and within each of the major categories. She reported that Finance met all of its applicable KPMs this month, and closed with upcoming plans, noting Finance would be proposing the draft Statutory Administrative Budget at the August Board meeting, with anticipation of Board approval in September.

On behalf of Ms. Cain, Ms. Goodwin presented the Human Resources report, starting with an update on recruitment of the Director of Investments, announcing there would be third interviews for the position held during a non-public session at next week's IIC meeting. She reported that HR met three of four KPMs, missing the one KPM in reference to recruiting, noting the inability to fill the third Imaging Specialist and Data Security Administrator positions within the set timeframe. In closing, she mentioned the smooth transition of the new payroll provider and reviewed upcoming HR plans.

Director of IT Frank Clough began his report with updates on the monthly cyber security-awareness training, the CISA (Cybersecurity and Infrastructure Security Agency) Audit, as well as the annual Plante Moran Audit, which is under way. He noted the status of the annual Pension Gold Audit, and the completion of the Bitsight Audit, performed as part of the cyber insurance renewal. He noted the AirWatch iPad upgrade for Trustees is in process, and provided a progress update on the Office 365 upgrade and the need to move email into the cloud. IT continues to recruit for its open positions of an Information Security Administrator and an IT System Support Specialist. He reported that IT met all eight of its KPMs and achieved 100% customer satisfaction in June. Lastly, he noted his upcoming

projects, and mentioned his FY 23 action plan is available for review.

On behalf of Tim Crutchfield, Deputy Director and Chief Legal Counsel, Mr. Cavanaugh provided the Legal report, updating the Board on Employer Audit activities, with GASB audits completed and three of six department goals achieved. He noted work continues on processing gainful occupation forms. Mr. Cavanaugh then referred Trustees to the annual report for FY 2021 regarding those working after retirement for participating employers. He noted that for half of the year, NHRS was not counting hours because the Governor's emergency order was still in place. He added there were no penalties to those who worked over the hours allowed during that time-period. He concluded that this past year, there were fewer people working more hours.

He gave an update on disability re-exams. He reported that Legal achieved all eight of its KPMS this month. In closing, he announced that NHRS has received the legal interpretation letter from the Attorney General's (AG) Office on the medical subsidy changes passed last summer under HB2, noting this letter will help the process move forward with the private letter ruling.

Chair Lesko next presented the Consent Agenda. On a motion by Trustee Hart, seconded by Trustee Christensen, the Board voted unanimously to approve the Consent Agenda.

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the June 14 Board meeting, noting that everything would be complete at the close of today's meeting.

During the Checkpoint Discussion, Chair Lesko announced that today marked Trustee Hart's last Board meeting and commended him on his professionalism, dedication and affable character, noting he was the third longest serving member of the Board of Trustees, with his term beginning in August 2016. As a gesture of appreciation for Trustee Hart's service on the Board and for his role as president of the PPCC, Chair Lesko presented him with a commemorative granite plaque in the shape of the state of New Hampshire. Trustee Hart accepted the memento and proceeded to commend the Board for its meaningful and vital work in assuring a future in retirement. He expressed how honored he was to have served with the Board of Trustees.

With no further business to discuss, on a motion by Trustee Hart, seconded by Trustee Mezzapelle, the Board voted unanimously to adjourn the meeting at 11:43 a.m.

Respectfully submitted,

Christine Rice,

Administrative Assistant

NHRS Board of Trustees

Minutes – August 9, 2022

Note: These minutes from the August 9, 2022, Public Session were approved and executed at the September 13, 2022, Board of Trustees meeting.

Board of Trustees

August 9, 2022

Public Minutes

**New Hampshire Retirement System 54 Regional Drive
Concord, New Hampshire 03301**

Participating: *Trustees Tim Lesko, Chair; Scott Christensen, Maureen Kelliher, Robert Maloney*, Andrew Martineau, Germano Martins, Ken Merrifield, Scott Myers, and Don Roy.*

Absent: *Trustees Christopher Coates, Sue Hannan, and Monica Mezzapelle.*

**This Trustee participated remotely as permitted under RSA 91-A:2. As a result, all votes, in which that trustee participated, were by roll call.*

Staff: *Jan Goodwin, Executive Director; Mark F. Cavanaugh, Esq., Interim Chief Legal Counsel; Larry Johansen, Director of Investments; Frank Clough, Director of Information Technology; Nancy Miller, Director of Member Services; Rosamond Cain, Director of Human Resources, Diana Crichton, Esq., Hearings Examiner; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Tracy Knight, Project Manager; Ann Stetson, Senior Business Analyst; Chris Murphy, IT System Administrator; and Christine Rice, Administrative Assistant.*

Guest: *Joshua Quigley, New Hampshire State Police Trooper*

Chair Lesko called the August 9, 2022, regular meeting of the NHRS Board of Trustees to order at 10:00 a.m.

A quorum was established and Chair Lesko called for a vote to approve the minutes of the July 12, 2022, Board meeting. On a motion by Trustee Myers, seconded by Trustee Christensen, the Board voted to approve the July 12, 2022, meeting minutes, and the non-public meeting minutes, as amended, with Trustees Martineau and Roy abstaining. Trustee Maloney joined the meeting remotely after the vote.

On behalf of Trustee Mezzapelle, Chair Lesko opened the meeting with the report of the Audit Committee, which did not meet this morning, but noted it would meet next month immediately prior to the September Board meeting.

Trustee Roy gave the Governance Committee report, noting it had not met since the June Board meeting, but would meet next month to review the Governance Committee Charter among other matters.

Trustee Kelliher presented her report on the Independent Investment Committee (IIC,

Committee), which met on July 22. She informed the Committee of the resignation of IIC member Scott Hammond. Director of Investments Larry Johansen proceeded to update the Committee on investment returns, asset allocation, and liquidity; and, noted that the final numbers for FY 22 would not be available until the private market valuations are finalized. Trustee Kelliher next noted that the IIC had voted to approve the Staff's recommendation to contract with BNY Mellon for its document management service, and that the Committee had gone into non-public session to interview the final candidates for the Director of Investments position. Trustee Kelliher also commented on the preliminary numbers for FY 22, the positive July market performance, the current economic outlook, and the expectations going forward. Lastly, Mr. Johansen updated the Board on the preliminary Total Fund Performance through June 30, 2022, and affirmed that there is ample cash flow to cover August and September expenses.

Trustee Myers delivered the Legislative Committee report. He reported that the Committee met on July 27, during which it reviewed its charter, with no recommended changes, and consulted with staff on the implementation of the legislation passed this year that effects NHRS, particularly SB 363, regarding non-qualified service credit purchases for select, active Group II Tier B members, which went into effect August 6. The Committee also reviewed proposed technical correction amendments to RSA 100-A prepared by staff, which the Committee voted 3-0 to recommend to the Board for its support "in order to better serve the members of the System," pursuant to RSA 100-A:15 VII, (d). Then, Trustee Myers turned to Interim Chief Legal Counsel Mark Cavanaugh for further explanation of the suggested technical corrections. On a motion by Trustee Roy, seconded by Trustee Martineau, the Board, on a roll-call vote, unanimously approved the recommendation of the Legislative Committee to endorse the draft legislation prepared by staff to make technical corrections to RSA 100-A and instruct staff to pursue this matter with the Legislature.

On behalf of Trustee Coates, Interim Chief Legal Counsel Cavanaugh presented the Benefits Committee report, noting the Committee had not met since the last Board meeting, but would meet at the next Board meeting in September to review the Committee's charter and other pertinent matters that may arise.

On behalf of Committee Chairperson Hannan, staff liaison for the Committee, Rosamond Cain, Director of Human Resources, gave the report of the PPCC, which met on July 26. Ms. Cain proceeded to update the Board on the recruitment for the Director of Finance and Controller, noting that the new Director will begin September 19 and staff is reviewing applications for the Controller position. In closing, she noted the Committee will meet on Thursday, August 11, 2022.

Chair Lesko then turned to Ms. Goodwin to commence the operating reports. She opened her Executive Report with the KPMs, which came in at 96.39% this month, measurably above the 95% benchmark. She noted that there were three KPMs missed agencywide, including one in Internal Audit relevant to the presentation of a completed audit every two months to the Audit Committee for consideration. It was explained that this was due to the demands of the GASB audit reports.

Ms. Goodwin then gave a status report on the PGV3 project, which is 60% complete. She mentioned user acceptance testing for D5 begins the week of August 29, with LRS on site; however, with a recent increase in COVID cases among staff, management is monitoring the probability of in-person training.

Ms. Goodwin informed the Board that EFL, the Executive Search Firm hired to recruit for the Director of Investments, has made an offer to a candidate whom she, Rosamond Cain, and Trustee Kelliher would meet with later today. She mentioned the continued success of the Contact Center, acknowledging the experienced staff who are training the newly hired Contact Center Representatives, and managing the high volume of calls this past week, mostly in reference to the recent implementation of SB 363. She gave an overview of the Fiscal Year Satisfaction Survey, which NHRS scored above 90% for customer satisfaction. She proceeded to give an update on the monthly calls she makes to members and noted the quarterly survey. In closing, she mentioned the progress of her action plan. A question arose about the contract with LRS and the PGV3 timeline changes, and Attorney Cavanaugh provided a brief commentary. Ms. Goodwin then informed the Board of a sole-source contract, under the Procurement Policy, for the renewal of Microsoft Dynamics and Max Q software, which Finance uses for many of its processes. She noted the contract is for the same price as last year at \$2,895.07.

Ms. Goodwin next presented a report on behalf of Marty Karlon, Director of Communications and Legislative Affairs, noting that PIO has been collaborating with several departments on a variety of initiatives, including legislative implementation, the employer rollout for PGV3 and with live video presentations for employer training on filling out term forms. Staff worked with Legal to prepare proposed Legislation for 2023, and with IT and the Contact Center on providing a how-to message for members to send attachments without the use of the info@ email. Lastly, she reported that PIO met all seven of its KPMs this month.

Director of Member Services Nancy Miller provided her report noting the 700-plus July retirement applicants, which her department will focus on finalizing over the next few months. She updated the Board on the Employer Reporting webinars that staff has put together with PIO. Ms. Miller noted the internal recruitment to fill the vacant Benefit Specialist position. She announced Member Services met all 21 of its KPMs this month. Member Services continues to simultaneously do its daily work while committed to its role in the PGV3 project, with the upcoming UAT on D5 later this month, along with beginning design documents for D6. She also mentioned her team has been largely focused on the implementation of the newly enacted legislation, particularly the new process required to perform the calculation for the non-qualified service purchase for certain Group 2 members.

Ms. Goodwin gave the Finance operating report, beginning with the draft Statutory Administrative Budget for FY 24 and FY 25. She worked with Interim Director of Finance Heather Fritzky, all NHRS directors, and some staff to prepare a realistic budget for FY 24 and FY 25. She informed the Board that Plante Moran was at NHRS last month and would return in October to perform its year-end audit. Ms. Goodwin then provided the fiscal year net position as of June 30, 2022, of \$10.66 billion, \$469 million less than in June 2021. Ms. Goodwin stated cash flows for the fiscal year and in June were within budget and as expected, and FY 22 spending was below budget in total and within the major categories. She returned to the draft Statutory budget for FY 24 and FY 25, noting she had missed one line item, for temporary positions at \$25,000 each for FY24 and FY 25, adding that it would be on the final draft budget for Board action in September. She mentioned that the line item would not significantly change the dollar amount from one year to the next. She reported there is a 6.8% increase in FY 24 compared to the FY 23 budget, and in FY 25, a 4.8% increase against FY 24. She proceeded to describe the overall draft budget and noted the budget encompasses non-investment staff only and does not include the Investment staff budget, which the Board votes to approve separately.

A robust discussion ensued on the budgeted health insurance, and Ms. Goodwin explained

the projected numbers. Another Trustee inquired about the process of approval for the Statutory Budget, which the Legislature can only approve, without any changes, then it advances to the Governor. Further discussion occurred about budgeting for staff vacancies.

Ms. Cain opened her Human Resources report starting with an update on recruitment, announcing the hiring of a Director of Finance, and that the hiring of a new Director of Investments was anticipated soon. She reported that HR missed one of four of its KPMs this month, explaining the recruitment difficulties in filling the Information Security Administrator position. Lastly, she mentioned HR would be working with Paycor to begin electronic recruiting efforts with a goal to reduce administrative burdens and broaden recruitment opportunities.

Director of IT Frank Clough opened his report with updates on the monthly cyber security-awareness training, the CISA (Cybersecurity and Infrastructure Security Agency) Audit and noted the completion of the IT portion of the annual Plante Moran audit. He mentioned that the AirWatch iPad upgrade for Trustees is near completion and provided a progress update on the Office 365 upgrade and the need to move email into the cloud. Mr. Clough reported that IT is working with Dell on a storage upgrade and completed the project to discontinue the use of the info@ email for members to send attachments. IT continues to recruit for its open position of an Information Security Administrator. He reported that IT missed one of eight KPMs this month because of a battery back-up failure and noted IT replaced the dead battery to remedy the situation. In closing, he reported that IT achieved 100% customer satisfaction in July.

Mr. Cavanaugh provided the Legal report, updating the Board on Gainful Occupation, noting that retiree submissions are ahead of past years and Audit staff will send follow-up letters to members on October 15. On the advice of outside fiduciary counsel, Groom Law Group, NHRS will be resubmitting a request for a ruling from the IRS on the medical subsidy changes passed last summer under HB2. Lastly, Mr. Cavanaugh gave an overview of upcoming plans and projects, including the annual review of Committee charters. He encouraged Trustees to return their feedback to Committee chairs. In closing, he mentioned that he is working with Member Services on the recruitment for Independent Medical Examiners and updated the Board on the Annual Ethics Survey, reminding trustees to submit their responses promptly.

Mr. Johansen provided his operating report on Investments, beginning with KPMs, noting his department met seven of seven applicable KPMs this month. In closing, he reported that his action plan is on or ahead of schedule.

Chair Lesko next presented the Consent Agenda. On a motion by Trustee Martins, seconded by Trustee Roy, the Board voted to approve the Consent Agenda, with recusals by Trustee Merrifield on Item 3, and Trustee Martineau on Item 7.

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the July 12 Board meeting, noting that everything would be complete at the close of today's meeting.

During the Checkpoint Discussion, Chair Lesko announced that today marked the last Board meeting for Trustee Myers, who served on the Board since 2018 and for most of that time, served as Chair of the Legislative Committee. Chair Lesko commended him on his professionalism and humor, and as a gesture of appreciation presented him with a

commemorative granite paperweight in the shape of the State of New Hampshire. Chair Lesko then mentioned that today also marked Trustee Christensen's last day on the Board and thanked him for his public service, noting that due to time constraints his paperweight was not yet available. Chairman Lesko then yielded the floor to Ms. Goodwin and Mr. Cavanaugh. Ms. Goodwin announced Mr. Johansen's retirement and commended him for his service as the Director of Investments and the work he has done for NHRS over the past 13 years and presented him with the Granite State paperweight. Mr. Cavanaugh then presented Mr. Johansen with a framed gift signed by the trustees, IIC members and staff. Mr. Johansen accepted the gifts and briefly reflected on his time with the Independent Investment Committee, noting he began a year after its fruition, and commended the Committee on its consistent good work. Chair of the IIC, Trustee Kelliher expressed her gratitude for Mr. Johansen, noting his style and grace of leadership.

With no further business to discuss, on a motion by Trustee Roy, seconded by Trustee Martins, the Board voted unanimously to adjourn the meeting at 11:33 a.m.

Respectfully submitted,

Christine Rice,
Administrative Assistant

NHRS Board of Trustees

DRAFT Minutes – September 13, 2022

Note: These **draft** minutes from the September 13, 2022, Public Session are subject for approval at a subsequent Board of Trustees meeting.

Board of Trustees

September 13, 2022

DRAFT Public Minutes

**New Hampshire Retirement System
54 Regional Drive
Concord, New Hampshire 03301**

Participating: *Trustees Tim Lesko, Chair; Christopher Coates*, Sue Hannan, Maureen Kelliher, Robert Maloney, Andrew Martineau, Germano Martins, Ken Merrifield, Monica Mezzapelle.*

Absent: *Don Roy.*

**This Trustee participated remotely as permitted under RSA 91-A:2. As a result, all votes, in which that trustee participated, were by roll call.*

Staff: *Jan Goodwin, Executive Director; Mark F. Cavanaugh, Esq., Interim Chief Legal Counsel; Frank Clough, Director of Information Technology; Nancy Miller, Director of Member Services; Rosamond Cain, Director of Human Resources, Diana Crichton, Esq., Hearings Examiner; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Tracy Knight, Project Manager; Chris Murphy, IT System Administrator; and Christine Rice, Administrative Assistant.*

Guest: *Joshua Quigley, New Hampshire State Police Trooper*

Chair Lesko called the September 13, 2022, regular meeting of the NHRS Board of Trustees to order at 10:02 a.m.

A quorum was established and Chair Lesko called for a vote to approve the minutes of the August 9, 2022, Board meeting. On a motion by Trustee Maloney, seconded by Trustee Martineau, the Board voted to approve the August 9, 2022, meeting minutes, with Trustees Hannan and Mezzapelle abstaining.

Trustee Mezzapelle opened the meeting with the Audit Committee report, noting the Committee met this morning prior to today's Board meeting and heard status updates on internal audit activities and Audit Tracker items, including the GASB Census Audit, which is 95% complete, with one outstanding audit in progress. She mentioned the Committee reviewed its charter and policy and reported it did not have any revisions.

On behalf of Trustee Roy, Mark Cavanaugh, Interim Chief Legal Counsel, gave the Governance Committee report, noting it met on August 30, 2022, to review its charter.

The Committee had no recommended changes. It then heard from Mr. Cavanaugh on the Office of Foreign Assets Controls (OFAC) Policy, giving a brief overview to the Board, and noted there were no actual or potential violations. He reported staff revised the Policy to reflect updates to position titles, as well as typographical corrections. The Committee voted unanimously to recommend these revisions to the Board.

At this time, approximately 10:11 a.m., Trustee Coates joined the meeting remotely, and from this point onward, Chair Lesko conducted the votes by roll call.

On a motion by Trustee Hannan, seconded by Trustee Martins, the Board voted unanimously to adopt the revisions to the OFAC Compliance Policy, as presented. Mr. Cavanaugh next reported that the Committee reviewed the 2023 Board of Trustees meeting schedule and voted to recommend it to the Board. On a motion by Trustee Merrifield, seconded by Trustee Hannan, the Board voted unanimously to adopt the 2023 NHRS Annual Meeting Calendar, as presented.

Trustee Kelliher presented her report on the Independent Investment Committee (IIC, Committee), noting it had not met in August and proceeded to inform the Board that the Committee would meet immediately following today's Board meeting, inviting Trustees to attend. She then noted she would provide more on investments on behalf of retired Director of Investments Larry Johansen during the presentation of operating reports.

Marty Karlon, Director of Communications and Legislative Affairs, delivered the report of the Legislative Committee, which has been working with staff on the implementation of bills passed in 2022. He gave a synopsis of the implemented bills, including House Bill 1587 and Senate Bill 363, relative to compensation over base pay and nonqualified service purchases for certain Group II members, adding that the programming for Pension Gold is complete and staff is conducting testing. Mr. Karlon proceeded to give an overview of the status of other bills yet to be implemented, such as the one-time payment to retirees, which he reported will go out at the end of October.

The 2023 filing period for Legislative Service Requests (LSRs), or bill requests, for the House began last week, and Mr. Karlon informed the Board of upcoming, possible legislation relative to NHRS. He noted that there is a second filing period, which runs post-election from November 9-22, adding that the Senate does not have a formal filing period and can file LSRs prior to December 31. Lastly, Mr. Karlon provided a status update on the search for a sponsor of NHRS' proposed legislation that encompasses technical correction amendments to RSA 100-A, which the Board approved last month. In closing, he noted that NHRS would present next Thursday to the House ED & A Committee on SB 363 and to the Joint Legislative Committee on teacher recruitment and retention.

Trustee Coates presented the report of the Benefits Committee, which met on September 7, 2022. The Committee reviewed its charter and had no recommended changes. The Committee then heard from Mr. Cavanaugh and Hearings Examiner Diana Crichton on the search for Independent Medical Examiners, (IMEs), noting there were no disciplinary actions against the current IMEs. Trustee Coates turned to Mr. Cavanaugh for a status report on recruitment of more IMEs, and after Mr. Cavanaugh's brief progress update, Trustee Coates concluded the Benefits Committee report.

Trustee Hannan gave the report of the PPCC, which met on August 11, 2022, during which the Committee reviewed its charter and had no revisions. It then heard from Director of Human Resources Rosamond Cain, who provided a staffing update. Ms. Cain

provided the Committee with the annual update of the Succession Planning Process, and Trustee Hannan stated the PPCC anticipates a final report on the process at the end of September.

Chair Lesko then turned to Ms. Goodwin to commence the operating reports. She began her Executive Report with the KPMs, which came in at 94.94% this month. Ms. Goodwin also provided the 12-Month KPM rolling average, which came in at 96%. She then gave a status report on the PGV3 project, noting the numbers were recently updated last week. The overall project is at 63% complete, with Deliverable 5 (D5), benefit payroll, at 55%, D6, year-end process, audit, and security at 2%. She mentioned that NHRS held user acceptance training (UAT) for D5, Phase I two weeks ago and that testing is underway. She noted there would be a PGV3 quarterly staff meeting this week. Ms. Goodwin concluded that despite changes in personnel at NHRS and at LRS, and dealing with the pandemic, the PGV3 project holds to its original timeline. She announced that parallel processing, during which staff would enter all data simultaneously into each system PGV2 and PGV3, is expected to begin October 5, 2023.

She provided an update on the Contact Center, noting its metrics are on target. She then gave an overview of her calls to members and informed Trustees of the continued positive feedback she receives. In closing, she noted that posters showcasing some of the positive comments from member surveys would be on display at NHRS.

Director of Member Services Nancy Miller opened her report with the progress of her department's involvement in PGV3 and the implementation of legislation. She noted Member Services and Finance are working together on UAT, testing benefit payroll, refunds, and lump sum activity, and holding daily meetings with LRS. Member Services seeks to fill its Administrative Assistant position, and the new Benefits Specialist has begun training. She announced Member Services met all 21 of its KPMs this month. Lastly, she noted that Member Services continues to work on designs for D5 and D6 in PGV3.

Ms. Goodwin presented the Finance operating report, noting that the new Director of Finance Marie Mullen would start at NHRS on Monday, September 19, adding that there would be a pre-fieldwork planning meeting with the System's external auditor Plante Moran on the same day, and that Plante Moran would be on location in October. She gave an overview of Finance's involvement with PGV3, noting its significant work on D5 UAT testing, the designing of D6 and Employer Reporting elements. She reported that Finance missed two KPMs due to staff vacancies and expects to get back on track next month.

She noted that cash flows for July were as expected and spending through the first month of Fiscal Year 2023 is below budget. She reported that NHRS continues to rely on two contractors to assist in the Finance department for the interim until the onboarding of the new director, noting one of the contractors is former Director of Finance Gerard Murphy. Ms. Goodwin provided an overview of the reporting package, noting the numbers are as expected with a lower number for internal staff expenses because of staff vacancies. She referred to the quarterly Dashboard, noting the increase in contribution rates took effect in FY 22 and 23.

Ms. Goodwin presented the Statutory Administrative Budget for FY 24 and FY 25, and explained the three items that changed since the draft last month: First, an increase for temporary positions at \$25,000 for each of FY24 and FY 25 (discussed at the August Board meeting); second, a decrease of \$8,900 for both FY 24 and FY25 for dental coverage because of a calculation error, and third, NHRS received final numbers from DHHS and DAS for

indirect costs, resulting in a net increase of \$6,811 in FY 24 and \$7,964 in FY 25. A brief discussion followed about PGM3 expenses. On a motion by Trustee Hannan, seconded by Trustee Mezzapelle, the Board voted unanimously to adopt the FY 24-FY 25 Statutory Administrative Budget.

Ms. Cain opened her Human Resources report beginning with an update on staffing, announcing the start dates of several new hires, September 19 for the new Director of Finance; October 1 for the Chief Investments Officer; and October 3 for the Information Security Administrator. The IT Systems Support Specialist and Employer Reporting Specialist recently began in their positions. She reported that HR is making an offer for the vacant Senior Accountant position in Finance due to the advancement of Kelly Brown to Controller, noting Ms. Brown's integral work on the budget. Ms. Cain stated HR is also recruiting for a third Employer Reporting position and an Administrative Assistant position in Member Services. HR met all four of its KPMs this month. She mentioned HR has moved its recruiting process online through Paycor, its payroll software. Lastly, she noted she was working on Succession Planning documents to go to the Management Team (M-Team) and would provide a report to the PPCC next week.

Director of IT Frank Clough provided Trustees with his most current operating report, giving updates on the monthly Cyber Security training, the Office 365 migration of email to the cloud, and the Dell storage upgrade. IT is reviewing proposals for a Migration to a Managed Detection and Response (MDR) application, which is designed to further protect the integrity of the System's secured data. Mr. Clough noted that IT recently filled its open position of an Information Security Administrator. He closed his report with a brief description of the missed KPM this month, explaining it was due to software issues. He noted that IT achieved 100% customer satisfaction in August. Lastly, he gave a brief overview of upcoming projects and noted his Action Plan.

Mr. Cavanaugh provided the Legal report, updating the Board on the progress of employer audits, the implementation of SB 363 and the COB Rules. He referred to the revised letter NHRS sent to the IRS, regarding a request for a ruling on the medical subsidy changes passed in the summer of 2021, under HB2. The IRS requested supporting materials and he noted he would be consulting with Groom Law next week to help further this process. NHRS renewed its property insurance and received a lower rate, about \$1,200 less, with an approximate \$5,000 premium. Lastly, Mr. Cavanaugh gave an update on the received responses, about 86%, to the 2022 NHRS Ethics Survey, which Legal conducts annually as part of compliance with its Code of Ethics Policy.

Trustee Kelliher presented the Investments operating report, updating the Board on performance as of July 31, 2022, Fiscal Year to Date, noting NHRS is above benchmark for three-, five-, and 10-years. She reported Asset Allocations were within ranges for all asset classes except for non-U.S. equities, which she stated the Investment Committee would address at its meeting today. Trustee Kelliher noted that Assets Under Management, as of July 31, 2022, are at \$11.1 billion. She reported that Investments met all six of its KPMs this month. In closing, she provided an overview of the IIC agenda for its meeting this afternoon.

Mr. Karlson provided his report on PIO, updating the Board of his department's work with Finance on the employer reporting changes relative to the PGM3 project, noting that PIO would schedule employer reporting training sessions in summer 2023 to prepare for the parallel processing that fall. He provided upcoming plans for PIO and concluded his report with the KPMs, all of which were met.

Chair Lesko next presented the Consent Agenda, then turned to Mr. Cavanaugh for an explanation on Item 7, R.O., noting that he recommends the withdrawal of R.O.'s disability application because of the recent knowledge that the applicant returned to work full time, noting that he would verify that information. Trustee Martins requested to discuss Item 3, C.D., on the Consent Agenda, and at 11:00 a.m., Chair Lesko called for a motion to enter into non-public session, under RSA 91-A:3 II(c). On a motion by Trustee Hannan, seconded by Trustee Mezzapelle, the Board voted unanimously to enter into non-public session.

At 11:28 a.m., on a motion by Trustee Hannan, seconded by Trustee Martins, the Board voted unanimously to return to public session.

On a motion by Trustee Hannan, seconded by Trustee Martineau, the Board voted to approve the Consent Agenda, Trustee Martins voted no, and Trustee Merrifield recused himself from Item 6.

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the August 9, 2022, Board meeting, noting that items 1, 2, and 5 are completed, and Item 3, the search for sponsorship for Legislative Recommendations is in process, and Item 4, regarding obtaining preliminary health insurance premiums for Calendar Year 2023 is incomplete because NHRS is not on the state payroll system. She noted the final rates would be available in October, and that NHRS would adjust the budget accordingly.

During the Checkpoint Discussion, Chair Lesko reminded Trustees of the IIC meeting immediately following today's Board meeting and encouraged them to participate.

With no further business to discuss, on a motion by Trustee Hannan, seconded by Trustee Mezzapelle, the Board voted unanimously to adjourn the meeting at 11:33 a.m.

Respectfully submitted,

Christine Rice,
Administrative Assistant

March 31, 2022

New Hampshire Retirement System



Quarterly Investment Highlights

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Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods ended March 31, 2022. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended March 31, 2022							
	Market Value \$(Dollars)	Ending Weight	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years
Net of Fees							
Domestic Equity	\$3,681,755,252	31.96%	(5.63%)	2.95%	9.90%	16.32%	13.63%
US Equity Benchmark	-	-	(5.28%)	3.40%	12.24%	17.75%	15.30%
Non US Equity	\$1,989,171,648	17.27%	(9.72%)	(9.12%)	(4.63%)	5.86%	6.32%
Non US Equity Benchmark	-	-	(5.44%)	(6.60%)	(1.48%)	7.51%	6.76%
Fixed Income	\$2,181,737,147	18.94%	(4.68%)	(4.92%)	(2.74%)	3.42%	3.16%
Fixed Income Benchmark	-	-	(6.11%)	(6.07%)	(4.23%)	1.85%	2.31%
Cash	\$150,002,028	1.30%	0.01%	0.01%	0.02%	0.83%	1.18%
3-month Treasury Bill	-	-	0.04%	0.06%	0.06%	0.81%	1.13%
Real Estate **	\$1,269,697,029	11.02%	7.90%	16.73%	30.29%	13.34%	11.48%
Real Estate Benchmark **	-	-	7.66%	18.78%	21.02%	8.23%	7.74%
Alternative Assets **	\$2,245,921,864	19.50%	2.76%	7.51%	33.06%	16.71%	13.64%
Alternatives Benchmark **	-	-	7.83%	16.26%	21.97%	19.72%	14.30%
Total Fund	\$11,518,284,968	100.00%	(3.24%)	1.19%	10.04%	11.18%	9.66%
Total Fund Benchmark*	-	-	(2.32%)	2.33%	7.52%	11.42%	9.75%

* Current Total Fund Benchmark = 30.0% Russell 3000 Index, 25.0% Blmbg:Universal, 20.0% MSCI ACWI ex US, 10.0% NCREIF NFI-ODCE Val Wt Nt lagged 3 months, 10.0% S&P 500 Index lagged 3 months+3.0% and 5.0% S&P:LSTA Lev Loan 100 lagged 3 months.

** Performance for the Total Real Estate and Total Alternative Assets composites and their respective benchmarks are lagged one quarter.

August 31, 2022



New Hampshire Retirement System

Investment Measurement Service Monthly Review

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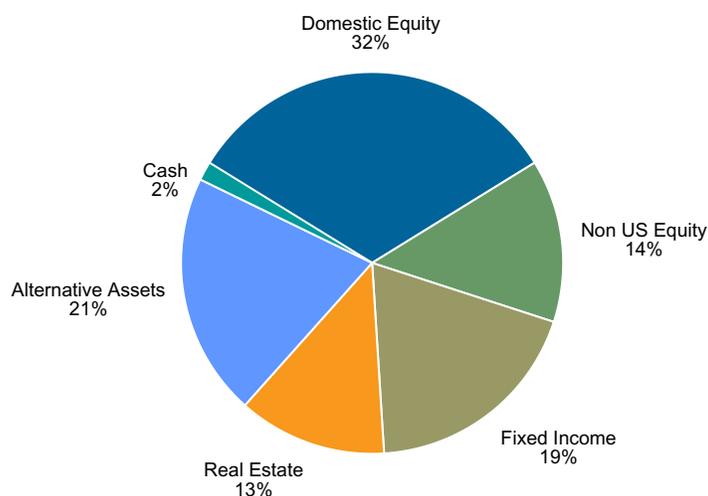
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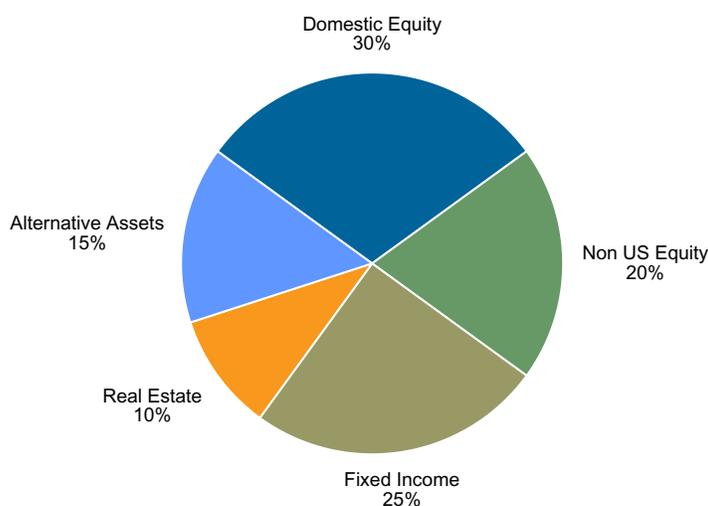
Actual vs Target Asset Allocation As of August 31, 2022

The first chart below shows the Fund's asset allocation as of August 31, 2022. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

Actual Asset Allocation



Target Asset Allocation



Asset Class	\$Millions Actual	Weight Actual	Target	Percent Difference	\$Millions Difference
Domestic Equity	3,510	32.5%	30.0%	2.5%	269
Non US Equity	1,491	13.8%	20.0%	(6.2%)	(669)
Fixed Income	2,051	19.0%	25.0%	(6.0%)	(649)
Real Estate	1,357	12.6%	10.0%	2.6%	276
Alternative Assets	2,226	20.6%	15.0%	5.6%	606
Cash	168	1.6%	0.0%	1.6%	168
Total	10,802	100.0%	100.0%		

* Current Quarter Target = 30% Russell 3000 Index, 25% Bloomberg Universal, 20% MSCI ACWI ex US, 10% NCREIF NFI-ODCE Val Wt Net, 10% S&P 500 + 3% (1 qtr lag), and 5% S&P LSTA Leveraged Loan 100 (1 qtr lag). Please refer to the back of this report for additional details regarding the Total Fund's Benchmark history.

** The United States equity portion of the Walter Scott Global Equity fund is allocated to the Domestic Equity composite.

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of August 31, 2022, with the distribution as of July 31, 2022. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Managers

	August 31, 2022		Net New Inv.	Inv. Return	July 31, 2022	
	Market Value	Weight			Market Value	Weight
Total Domestic Equity	\$3,268,556,652	30.26%	\$0	\$(118,333,970)	\$3,386,890,621	30.63%
Large Cap Domestic Equity	\$1,915,514,360	17.73%	\$0	\$(81,401,469)	\$1,996,915,829	18.06%
Blackrock S&P 500	1,915,514,360	17.73%	0	(81,401,469)	1,996,915,829	18.06%
SMid Cap Domestic Equity	\$599,250,117	5.55%	\$0	\$(17,224,139)	\$616,474,257	5.57%
AllianceBernstein	369,216,132	3.42%	0	(12,212,328)	381,428,460	3.45%
TSW	230,033,986	2.13%	0	(5,011,811)	235,045,797	2.13%
Small Cap Domestic Equity	\$753,792,174	6.98%	\$0	\$(19,708,362)	\$773,500,536	6.99%
Boston Trust	201,781,199	1.87%	0	(9,867,598)	211,648,797	1.91%
Segall Bryant & Hamill	205,127,782	1.90%	0	(3,622,407)	208,750,189	1.89%
Wellington	346,883,194	3.21%	0	(6,218,356)	353,101,550	3.19%
Total Non US Equity	\$1,732,138,712	16.04%	\$0	\$(75,113,984)	\$1,807,252,696	16.34%
Core Non US Equity	\$871,624,883	8.07%	\$0	\$(45,568,949)	\$917,193,832	8.29%
Aristotle	139,876,950	1.29%	0	(8,449,099)	148,326,049	1.34%
Artisan Partners	298,415,624	2.76%	0	(11,906,820)	310,322,444	2.81%
Causeway Capital	299,596,129	2.77%	0	(17,629,209)	317,225,338	2.87%
Fisher Investments	722,475	0.01%	0	(2,052)	724,527	0.01%
Lazard	133,013,705	1.23%	0	(7,581,770)	140,595,475	1.27%
Emerging Markets	\$320,602,066	2.97%	\$0	\$3,351,692	\$317,250,374	2.87%
Neuberger Berman	166,039,305	1.54%	0	(250,061)	166,289,366	1.50%
Wellington Emerging Markets	154,562,761	1.43%	0	3,601,753	150,961,008	1.37%
Non US Small Cap	\$109,330,873	1.01%	\$0	\$(4,810,093)	\$114,140,966	1.03%
Wellington Int'l Small Cap Research	109,330,873	1.01%	0	(4,810,093)	114,140,966	1.03%
Global Equity	\$430,580,891	3.99%	\$0	\$(28,086,633)	\$458,667,524	4.15%
Walter Scott Global Equity	430,580,891	3.99%	0	(28,086,633)	458,667,524	4.15%
Total Fixed Income	\$2,051,107,361	18.99%	\$0	\$(44,166,598)	\$2,095,273,959	18.95%
BlackRock SIO Bond Fund	248,717,433	2.30%	0	(2,171,198)	250,888,632	2.27%
Brandywine Asset Mgmt	221,855,396	2.05%	0	(9,276,899)	231,132,295	2.09%
FIAM (Fidelity) Tactical Bond	355,609,754	3.29%	0	(4,761,512)	360,371,266	3.26%
Income Research & Management	758,668,929	7.02%	0	(19,786,996)	778,455,925	7.04%
Loomis Sayles	265,646,796	2.46%	0	(4,423,473)	270,070,269	2.44%
Manulife Strategic Fixed Income	200,609,053	1.86%	0	(3,746,519)	204,355,572	1.85%
Total Cash	\$167,687,679	1.55%	\$21,425,954	\$292,813	\$145,968,911	1.32%
Total Marketable Assets	\$7,219,490,404	66.83%	\$21,425,954	\$(237,321,738)	\$7,435,386,188	67.24%
Total Real Estate	\$1,356,630,891	12.56%	\$(10,760,115)	\$(1,899,087)	\$1,369,290,094	12.38%
Strategic Core Real Estate	904,854,314	8.38%	(13,569)	(683,399)	905,551,282	8.19%
Tactical Non-Core Real Estate	451,776,578	4.18%	(10,746,546)	(1,215,688)	463,738,812	4.19%
Total Alternative Assets	\$2,226,051,891	20.61%	\$(27,610,406)	\$(276,195)	\$2,253,938,492	20.38%
Private Equity	1,685,997,443	15.61%	(24,874,140)	(345,687)	1,711,217,270	15.47%
Private Debt	540,054,448	5.00%	(2,736,266)	69,491	542,721,222	4.91%
Total Fund Composite	\$10,802,173,187	100.0%	\$(16,944,567)	\$(239,497,021)	\$11,058,614,775	100.0%

-Alternatives market values reflect current custodian valuations, which may not be up to date.

Investment Manager Returns

The table below details the rates of return for the fund's investment managers over various time periods ended August 31, 2022. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended August 31, 2022

	Last Month	Fiscal YTD	Last 36 Months	Last 60 Months	Last 120 Months
Net of Fees					
Total Domestic Equity	(3.52%)	5.48%	10.96%	10.18%	11.94%
Domestic Equity Benchmark (1)	(3.73%)	5.30%	11.20%	11.11%	12.85%
Secondary Domestic Equity Bmk (6)	(3.39%)	5.97%	11.22%	10.30%	12.13%
Large Cap Domestic Equity	(4.08%)	4.76%	11.36%	10.65%	12.33%
S&P 500 Index	(4.08%)	4.77%	12.39%	11.82%	13.08%
Blackrock S&P 500	(4.08%)	4.76%	12.36%	11.80%	13.05%
SMid Cap Domestic Equity	(2.84%)	6.81%	10.26%	8.32%	11.05%
Russell 2500 Index	(2.66%)	7.41%	9.57%	8.54%	10.96%
AllianceBernstein	(3.25%)	7.69%	10.16%	9.64%	11.43%
TSW	(2.18%)	5.42%	10.41%	6.36%	10.35%
TSW Blended Benchmark (2)	(3.14%)	6.24%	9.93%	8.47%	10.93%
Small Cap Domestic Equity	(2.60%)	6.30%	10.70%	10.35%	11.80%
Russell 2000 Index	(2.05%)	8.18%	8.59%	6.95%	10.01%
Boston Trust	(4.70%)	3.80%	10.64%	11.56%	11.27%
Segall Bryant & Hamill	(1.80%)	6.57%	11.73%	11.12%	11.10%
Wellington	(1.82%)	7.66%	10.16%	9.32%	12.50%
Total Non US Equity	(4.21%)	0.17%	1.37%	1.13%	4.25%
Non US Equity Benchmark (3)	(3.22%)	0.10%	2.87%	1.67%	4.48%
Core Non US Equity	(5.01%)	(0.96%)	0.77%	0.43%	3.48%
Core Non US Benchmark (4)	(3.22%)	0.10%	2.87%	1.67%	4.48%
Aristotle	(5.73%)	1.20%	-	-	-
Artisan Partners	(3.89%)	(0.24%)	(1.13%)	1.82%	-
Causeway Capital	(5.60%)	(2.76%)	4.07%	1.03%	-
Lazard	(5.43%)	(0.65%)	-	-	-
MSCI EAFE	(4.75%)	(0.00%)	2.39%	1.63%	5.00%
Emerging Markets	0.98%	0.80%	(1.63%)	(2.21%)	1.88%
MSCI EM	0.42%	0.17%	2.74%	0.59%	2.92%
Neuberger Berman	(0.22%)	0.93%	(1.89%)	(2.08%)	-
Wellington Emerging Markets	2.30%	0.66%	(1.34%)	(1.58%)	3.40%
Non US Small Cap	(4.28%)	1.16%	(4.25%)	(6.44%)	1.35%
Wellington Int'l Small Cap Research	(4.28%)	1.16%	-	-	-
MSCI EAFE Small Cap	(4.43%)	1.88%	2.85%	1.21%	7.06%
Global Equity	(6.17%)	1.80%	6.75%	9.22%	10.37%
MSCI ACWI net	(3.68%)	3.04%	8.03%	6.97%	8.70%
Walter Scott Global Equity	(6.17%)	1.80%	6.75%	9.22%	10.37%
Walter Scott Blended Benchmark (5)	(3.68%)	3.04%	8.03%	6.97%	8.70%
MSCI ACWI Growth	(4.61%)	5.08%	9.53%	9.33%	10.39%

(1) The Domestic Equity Benchmark is the Russell 3000 index as of 7/1/2021.

(2) TSW Blended Benchmark is the Russell 2500 Value Index as of 7/1/2019. Prior to 7/1/2019 it was the Russell 2500.

(3) The Non US Equity Index is the MSCI ACWI ex US Index as of 7/1/2003. Prior to 7/1/2003 it was the MSCI EAFE Index.

(4) The Core Non US Equity Index is the MSCI ACWI ex US as of 7/1/2007. Prior to 7/1/2007 it was the MSCI EAFE Index.

(5) The Walter Scott Blended Benchmark is the MSCI ACWI Index as 5/1/2008. Prior to 5/1/2008 it was the MSCI EAFE Index.

(6) Secondary Domestic Equity Bmk consists of 60% S&P 500, 20% Russell 2500, and 20% Russell 2000.

Investment Manager Returns

The table below details the rates of return for the fund's investment managers over various time periods ended August 31, 2022. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended August 31, 2022

	Last Month	Fiscal YTD	Last 36 Months	Last 60 Months	Last 120 Months
Net of Fees					
Total Fixed Income	(2.13%)	0.37%	(0.31%)	1.13%	2.18%
Fixed Income Benchmark (1)	(2.60%)	(0.15%)	(1.82%)	0.63%	1.64%
Bloomberg Aggregate	(2.83%)	(0.45%)	(2.00%)	0.52%	1.35%
BlackRock SIO Bond Fund	(0.91%)	0.93%	1.40%	-	-
BlackRock Custom Benchmark (2)	0.21%	0.34%	0.70%	-	-
Brandywine Asset Mgmt	(4.04%)	(1.89%)	(2.19%)	(1.49%)	0.93%
Brandywine Custom Benchmark (3)	(4.42%)	(2.69%)	(5.86%)	(2.32%)	(1.13%)
FIAM (Fidelity) Tactical Bond	(1.35%)	1.81%	0.76%	-	-
Bloomberg Aggregate	(2.83%)	(0.45%)	(2.00%)	0.52%	1.35%
Income Research & Management	(2.56%)	(0.37%)	(1.55%)	1.06%	1.96%
Bloomberg Gov/Credit	(2.61%)	(0.50%)	(2.04%)	0.67%	1.45%
Loomis Sayles	(1.67%)	1.22%	1.64%	2.70%	3.72%
Loomis Sayles Custom Benchmark (4)	(2.64%)	0.91%	(0.85%)	1.31%	2.50%
Manulife Strategic Fixed Income	(1.86%)	1.42%	(0.28%)	1.25%	-
Bloomberg Multiverse	(3.82%)	(1.71%)	(4.26%)	(1.39%)	(0.11%)
Total Cash	0.19%	0.31%	0.66%	1.18%	0.72%
3-month Treasury Bill	0.16%	0.21%	0.57%	1.12%	0.66%
Total Marketable Assets	(3.21%)	2.59%	4.94%	5.02%	7.08%
Total Marketable Index (5)	(3.22%)	2.11%	4.84%	5.31%	7.30%
Total Real Estate	(0.15%)	(0.22%)	14.33%	11.99%	12.48%
Real Estate Benchmark (6)	1.49%	3.00%	11.21%	9.33%	10.15%
Strategic Core Real Estate	(0.09%)	(0.10%)	12.72%	11.17%	11.46%
Tactical Non-Core Real Estate	(0.27%)	(0.47%)	17.16%	13.48%	14.09%
Total Alternative Assets	(0.01%)	0.06%	15.91%	12.91%	10.50%
Alternative Assets Benchmark (7)	(0.32%)	(6.61%)	13.75%	11.14%	13.71%
Total Private Equity	(0.02%)	0.09%	20.54%	17.26%	13.59%
Private Equity Benchmark (8)	0.03%	(8.49%)	19.78%	16.75%	18.41%
Cambridge Global PE Idx 1 Qtr Lag	0.00%	0.00%	23.27%	19.90%	16.52%
Total Private Debt	0.01%	(0.00%)	5.55%	5.52%	7.29%
Private Debt Benchmark (9)	(1.06%)	(2.77%)	2.36%	2.92%	9.09%
Cambridge Private Credit Idx 1 Qtr Lag	0.00%	0.00%	8.48%	8.41%	9.06%
Total Fund Composite	(2.19%)	1.68%	7.98%	7.21%	8.36%
Total Fund Benchmark *	(2.31%)	0.95%	7.10%	6.81%	8.35%

* Current Month Target = 30.0% Russell 3000 Index, 25.0% Blmbg Universal, 20.0% MSCI ACWI xUS, 10.0% NCREIF NFI-ODCE Val Wt Nt lagged 3 months, 10.0% Russell 3000 Index lagged 3 months+2.0%, 2.5% Blmbg HY Corp lagged 3 months+1.0% and 2.5% S&P/LSTA Lev Loan 100 lagged 3 months+1.0%. For the trailing 25 year period ended 8/31/22, the Total Fund has returned 6.94% versus the Total Fund Custom Benchmark return of 7.06%.

(1) The Fixed Income Benchmark is the Bloomberg Capital Universal Bond Index as of 7/1/2007.

(2) The BlackRock Custom Benchmark is 3 Month SOFR compounded in arrears as of 1/1/2022.

(3) The Brandywine Blended Benchmark is the FTSE WGBI Ex-China Index as of 11/1/2021.

(4) The Loomis Sayles Custom Benchmark is 65% Bloomberg Aggregate and 35% Bloomberg High Yield.

(5) Marketable Assets Idx is 40% Rus3000, 26.7% MSCI ACWI ex US, and 33.3% Bloomberg Universal as of 7/1/2021

(6) The Real Estate Benchmark is the NCREIF NFI-ODCE Value Weight Net Index lagged 1 quarter as of 7/1/2015.

(7) The Alternative Assets Benchmark is 66.7% Russell 3000 Idx + 2% lagged 1 qtr and 33.3% ((50% S&P LSTA Leveraged

Loan 100 Index + 50% Bloomberg High Yield Idx) + 1%) lagged 1 quarter as of 7/1/2022.

(8) The Private Equity Benchmark is the Russell 3000 Index + 2% lagged 1 quarter as of 7/1/2022.

(9) The Private Debt Bmk is (50% S&P LSTA Leveraged Loan 100 Idx + 50% Blmbg HY Idx) + 1% lagged 1 qtr as of 7/1/2022.



The fiscal year (FY) 2024-25 rates for the State of New Hampshire and for political subdivision employers were certified by the New Hampshire Retirement System (NHRS) Board of Trustees on July 12, 2022.

Here are answers to some common questions that participating employers may have concerning those rates.

Why are the employer rates changing?

Employer contribution rates are set every two years pursuant to RSA 100-A:16, III.

Employer contribution rates for the four membership classifications – Employee, Teacher, Police, and Fire – will decrease from the current rates. The rate decrease is primarily the result of strong investment performance over the five-year period ending June 30, 2021.

The employer contribution rates for FY 24-25 are:

	Pension	Medical Subsidy	Total	Percentage decrease from FY 22-23
Employee-State	13.27%	0.58%	13.85%	4.7%
Employee-Political Sub	13.27%	0.26%	13.53%	3.8%
Teacher	18.51%	1.13%	19.64%	6.6%
Police	28.68%	2.60%	31.28%	7.7%
Fire	27.75%	2.60%	30.35%	8.0%

How are employer contribution rates determined?

Employer contribution rates are developed as part of a biennial actuarial valuation, which is required by statute. The NH Constitution (Part, I, Article 36-a) requires that the rates be based on “sound actuarial valuation and practice” as required to maintain the retirement system trust fund at the level needed to meet its future obligations.

GRS, the retirement system’s consulting actuary, determines the cost of future benefits, the unfunded actuarial accrued liability (UAAL), and employer contribution rates based on assumptions about many future events, such as the age when members will retire, their rate of salary growth, how long they will live after retirement, and how much the plan’s investments will earn. These assumptions are based on detailed statistical models and adhere to national Actuarial Standards of Practice. However, they are not facts; no one can predict future events. When the actual experience doesn’t match the assumptions, there can be an actuarial gain or loss. Put simply, gains reduce employer contribution rates, losses increase employer contribution rates.

Why are there different rates for each of the member classifications?

Employer contribution rates for Employee, Teacher, Police, and Fire members are determined separately based on benefit structure, demographics, and other information unique to each member classification, so rates vary among the different groups.

Group II rates are higher because the retirement age for Police and Fire members is lower and the Group II benefit formula produces a larger pension than the Group I benefit formula. (Note: Group II members are not

eligible for Social Security benefits for their NHRS-covered employment; neither they nor their employers pay Social Security taxes.)

In addition to the pension costs, the employer rates also contain a Medical Subsidy rate that ranges from 0.26% to 2.60% of covered payroll, depending on the member classification. (See below for more information on the Medical Subsidy.)

How does the unfunded pension liability affect employer contribution rates?

There are three components to employer contribution rates: the normal cost, unfunded actuarial accrued liability (UAAL), and the medical subsidy.

The normal cost reflects the estimated actuarial cost of pension benefits as those benefits are earned each year by members. This cost is shared by the employer and the member, with members paying the majority of the normal cost. The normal cost will continue to decline over time due to 2011 legislative changes that reduced benefit provisions for new members hired on or after July 1, 2011, as well as any member hired prior to that date but not vested prior to January 1, 2012.

The UAAL is the estimated value of NHRS benefits that have been earned in the past, but have not yet been funded. The current unfunded liability is borne solely by the employers. Overall, the unfunded liability accounts for more than 75% of the total employer contribution rate.

There have been several contributing factors to the current NHRS unfunded liability:

- A flawed statutory funding methodology in effect from 1991-2007 that led to the long-term under-calculation of employer contributions;
- The diversion of approximately \$900 million in investment earnings from the pension trust into a “Special Account” over roughly the same period. (The Special Account, which was created by legislation in the 1980s and repealed in 2012, funded other post-retirement benefits such as cost-of-living adjustments);
- Global economic dips (the 2001-02 dot-com bubble and the Great Financial Crisis of 2008-09) negatively impacting investment performance;
- Adoption of more conservative actuarial assumptions in 2011, 2016, and 2020 by the NHRS Board of Trustees, based on the results of actuarial experience studies required by statute and the Board’s Actuarial Funding Policy. (Note: While the changes to the assumptions for investment returns, payroll growth and mortality increased the UAAL, they also financially strengthened the retirement system trust fund by generating additional revenue through increases to employer contributions.)

Despite the unfunded liability, retirement benefits for NHRS members are secure. Changes made in recent years have put NHRS on a solid path to financial health, however, the unfunded liability took many years to create, and it will take many years to eliminate.

In 2007, the Legislature created a closed, 30-year amortization period to pay off the UAAL, which commenced on July 1, 2009. In 2018, legislation was enacted to recognize actuarial gains and losses incurred after July 1, 2017, over closed periods of no more than 20 years. This is referred to as “layered amortization.” The approximate \$5 billion UAAL as of June 30, 2017 – referred to as the “initial UAAL” – will continue to be paid down through 2039.

Actuarial gains and losses since July 1, 2017, are being recognized in layers of no more than 20 years, which will temper any potential employer contribution rate volatility as 2039 approaches, and also provide a sound basis for managing future gains and losses.

Why is the Medical Subsidy included in the employer rate?

The Medical Subsidy is a statutorily-required payment made by NHRS directly to an eligible retiree's former employer or the employer's health insurance administrator that goes toward the cost of health insurance for a qualified retired member, spouse, or dependent child(ren). The Medical Subsidy is not a health insurance plan.

Medical Subsidy benefits are funded from a 401(h) trust for political subdivision Employees, state Employees, Teachers, and Police and Fire members. Because these benefits are pay-as-you-go, employers are required by statute to pay the amounts necessary to maintain the benefits provided for each of the above groups.

Because this benefit is a closed plan, except with respect to certain Group II members, the Medical Subsidy rates are expected to continue to decrease in future years.

Can employers expect contribution rates to continue to go down?

No. There is no expectation that rates will continue to fall. If all actuarial assumptions are met, employer contribution rates are expected to remain at current levels through 2039. However, as noted in a previous answer, no one can predict future events with certainty and when the actual experience doesn't match the assumptions, there can be an actuarial gain or loss that impacts contribution rates. Future employer rates could also be influenced by adjustments to actuarial assumptions, which are reviewed every four years, or by legislative changes to the benefit structure.

Does the NHRS Board of Trustees have any leeway when certifying employer rates?

There is very limited discretion in setting the employer rates. The state Constitution and state law require that the NHRS Board of Trustees certify actuarially sound employer contribution rates necessary to keep the retirement system on track to meet its long-term obligations and that employers pay those rates in full.

The relevant section of Part I, Article 36-a of the Constitution reads, in part:

“The employer contributions certified as payable to the New Hampshire retirement system ... as shall be determined by sound actuarial valuation and practice ... shall be appropriated each fiscal year to the same extent as is certified.”

In addition to the constitutional mandate, Trustees are also bound by their fiduciary duty to the pension plan, which is the highest standard of conduct under the law. When NHRS fiduciaries make decisions about benefit administration, investments, or any other subject that falls within their statutory responsibilities, they are required to act solely in the best interest of the collective membership, not on behalf of individual members or member groups, employers, lawmakers, taxpayers, or anyone else who might have an interest in the outcome of the decision.

Even if permitted by law, reducing contribution rates without consideration of the impact on NHRS' long-term ability to fund benefits would run counter to the Board's fiduciary duty, and would result in creating additional unfunded liabilities to the detriment of the plan and its participants.

Does the State of New Hampshire pay any portion of the political subdivision employer rates?

The State no longer subsidizes local employer contributions on an ongoing basis. However, legislation enacted in 2022 provides one-time funding for employers in FY 2023. House Bill 1221 requires the State of New Hampshire to reimburse 7.5 percent of local employer contributions to NHRS made in fiscal year 2022 for Group I Teachers and Group II Police and Fire members. [This legislation has no bearing on FY 24-25 employer contribution rates.](https://www.nhrs.org/news/article/2022/06/17/hb-1221-employer-contribution-rates) For more details, see: <https://www.nhrs.org/news/article/2022/06/17/hb-1221-employer-contribution-rates>.

Additional background

When RSA 100-A:16 was enacted in 1967, the State was responsible for 40% of the employer contribution for Teacher members employed by political subdivisions. The statute was amended in 1977, requiring the State to pay 35% of the employer contributions for Teacher, Police, and Fire members employed by political subdivisions.

RSA 100-A:16 was amended in 2009 to reduce the State's share to 30% in FY 2010 and 25% in FY 2011. The 2009 amendment also restored the State contribution to 35% in FY 2012. However, the statute was amended again in 2011 to eliminate the State's percentage share of employer contributions altogether. The 2011 amendment also included a one-time transitional appropriation of \$3.5 million in an effort to offset political subdivision employer contributions in FY 2012.

In 2012, the New Hampshire Supreme Court upheld statutory changes to RSA 100-A:16 enacted in 2009 that reduced the percentage the State of New Hampshire paid toward employer retirement contributions for Teacher, Police, and Fire members employed by political subdivisions. The Supreme Court decision did not change the total amount of employer contributions that must be paid to the retirement system – it only upheld the State's authority to reduce, and eventually eliminate, its contribution toward employer retirement contributions for Teacher, Police, and Fire members employed by political subdivisions. The net result of the decision was to shift pension costs from the State to political subdivisions.

Were the FY 24-25 employer contribution rates certified earlier than the rates for previous biennia?

Yes. The Board traditionally certified employer contribution rates at its September meeting, but has moved the rate certification earlier to assist employers that begin the budget development process in the summer.