



New Hampshire Retirement System
54 Regional Drive, Concord, NH 03301
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TO: Senator Howard Pearl, 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, 2023

Dear Senator Pearl 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, 2023:

- NHRS expects to have final investment returns for the fiscal year ended June 30, 2023, in mid-October. Unaudited trust fund assets stood at \$11.4 billion on June 30, 2023.
- The multi-year upgrade of the NHRS pension administration database (“PGV3”), which began in January 2019, is now 85% percent complete and on track to become operational by the end of the year. NHRS is conducting parallel processing in October and November, during which time data will be input into the current system and the new system in order to identify any potential issues not addressed in prior testing. This effort is expected to increase response and turnaround times for some member, retiree, and employer processes during the parallel processing period.
- NHRS was notified in late June of a cybersecurity incident involving one of our service providers, PBI Research Services (PBI). PBI provides audit and address research services for insurers, pension funds, and other such organizations. Because PBI provided services to NHRS, PBI has data that includes the name, date of birth, zip code, and Social Security number of NHRS retirees and any beneficiaries receiving a monthly benefit. If an NHRS retiree or beneficiary was affected in this incident, that individual was sent a notification letter from PBI containing instructions to enroll in free credit monitoring and identity restoration services. No NHRS system or network was compromised or otherwise impacted in this incident. A news release summarizing the incident is included with this report.

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 11, 2023; August 8, 2023; September 12, 2023 (draft).
- Investment information on Total Fund through March 31, 2023, which is the most recent quarterly data available.
- Monthly investment information through July 31, 2023, which is the most recent data available.
- A summary of calendar year 2022 working after retirement data reported by participating employers.
- Quarterly Investment Compliance Notice to the Legislative Budget Assistant.

- An “NHRS ... Now You Know” issue brief titled “The Group I pension recalculation,” which was released in August.
- A news release posted on our website regarding a data incident involving one of NHRS’ service providers, PBI Research Services (PBI), that impacted benefit recipients.

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 style with a large initial "J".

Jan Goodwin
Executive Director

cc: Office of Governor Christopher Sununu

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

July 11, 2023, to September 12, 2023

At the July 11, 2023, regular monthly meeting of the NHRS Board of Trustees, the Board voted unanimously to certify to the Governor that the actuarial cost of the \$500 payment to eligible retirees and beneficiaries contained in HB 2 was \$7.1 million and to authorize the Director of Finance to initiate a request for reimbursement.

Representatives from Apollo Global Management, with whom NHRS has private equity investments, gave a presentation on the U.S. economic landscape, detailing market trends over the past three quarters, the projected economic growth as the Fed raises interest rates to settle inflation, and macroeconomic perspectives relative to the banking sector.

At the August 8, 2023, regular monthly meeting, the Board received preliminary investment performance data as of June 30, 2023. The Total Fund net return for the fiscal year-to-date (FYTD) period was 7.98%. It was noted that these preliminary numbers do not include updated valuations for real estate, private equity, and private credit investments – which make up approximately 30 percent of the portfolio – and that final, audited FY 23 returns won't be available until the fall.

Executive Director Jan Goodwin gave an update on PBI Research Services (PBI) and its recent data incident, which impacted NHRS annuitants. PBI recently notified the NHRS retirees and beneficiaries in a letter of the potential effect of the incident and NHRS provided information on its website. She emphasized that the incident did not compromise NHRS' system or network.

At the September 12, 2023, regular monthly meeting the Board, Trustee Kelliher, who also chairs the Independent Investment Committee, reported that staff continue to work on a total plan analysis project, including a strategic asset allocation review.

The Board voted unanimously to institute a bimonthly meeting schedule beginning in 2024.

Executive Director Goodwin discussed how federal law prohibits public pension entities from accessing the Social Security master death file. As a result, NHRS uses research services such as PBI and LexisNexis to verify annuitant deaths. She apprised Trustees of her recent discussions with several public pension groups about making a concerted effort to change current federal law and allow public pensions access to the Social Security master death file. She reported that

the National Council of Public Employee Retirement Systems (NCPERS) agreed to take the lead on proposing federal legislation.

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 22-year-old system (PGV2) NHRS is currently using. The project is 85% 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 11, 2023

Note: These minutes from the July 11, 2023, Public Session were approved and executed at the August 8, 2023, Board of Trustees meeting.

Board of Trustees

July 11, 2023

Public Minutes

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

Participating: *Tim Lesko, Chair; Trustees Jon Frederick, Sue Hannan, Jason Henry, Maureen Kelliher, Robert Maloney, Andrew Martineau, Germano Martins, Ken Merrifield, Monica Mezzapelle, Paul Provost, Don Roy, and Joshua Quigley.*

Staff: *Jan Goodwin, Executive Director; Timothy Crutchfield, Deputy Director and Chief Legal Counsel; Raynald Leveque, Chief Investment Officer; Marie Mullen, Director of Finance; Nancy Miller, Director of Member Services; John Laferriere, Director of IT; Rosamond Cain, Director of Human Resources; Marty Karlon, Director of Communications and Legislative Affairs; Mark F. Cavanaugh, Associate Counsel and Compliance Officer; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Tracy Knight, Project Manager; Greg Richard, Senior Investment Officer; Shana Bilech, Investment Officer; Jesse Pasierb, Investment Operations Analyst; Diana Crichton, Hearings Examiner; and Christine McKenney, Communications Specialist.*

Guests: *Torsten Slok, Chief Economist, and Ria Nova, Partner, from Apollo Global Management.*

Chair Tim Lesko called the July 11, 2023, regular meeting of the NHRS Board of Trustees to order at 10:01 a.m., and after establishing a quorum, Chair Lesko called for a vote to approve the meeting minutes of the June 13, 2023, Board meeting. On a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted unanimously to approve the meeting minutes.

Trustee Mezzapelle reported on the Audit Committee, which met earlier this morning. The Committee heard updates from Internal Audit and Finance. The Census Data Audit is in process and there was one recommendation from the Proxy Voting Compliance Monitoring Policy Audit that Management accepted. The FY 23 Audit Plan is complete.

Trustee Roy reported on the Governance Committee, which met on July 3 for the annual review of the cyber insurance renewal. He reported that the broker reached out to 14 carriers and received only four quotes, including one from the System's incumbent carrier, Houston Casualty, which offered the same coverage of \$5 million, with a \$25,000 deductible at a premium of \$52,126. Trustee Roy noted it is a 29% increase, however, that is modest in comparison to others insured in this market. After discussion, the Committee voted unanimously to recommend to the Board that it accept the renewal cyber security insurance coverage through Houston Casualty.

On a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted unanimously to accept the recommendation of the Governance Committee that the Board approve the renewal of cyber insurance coverage with Houston Casualty, as presented.

Trustee Kelliher reported on the June 13, 2023, Independent Investment Committee (IIC, Committee) meeting. Chief Investment Officer Raynald Leveque provided an update on investment returns through recent time-periods, referring to Callan's April 30, 2023 report. He gave updates on holdings within the NHRS portfolio, the rebalancing from domestic equities to fixed income, which is now within its target allocation range. Mr. Leveque also gave updates to the IIC on liquidity, Russian holdings, and the Work Plan. Trustee Kelliher reported the Committee reviewed an extension to the Custody Agreement with BNY Mellon, the Burgis Private Markets Transparency Service, which the Committee voted unanimously to accept for a two-year period, subject to contract and legal review. The IIC then voted on two five-year term contract renewals for the investment managers that presented at its May meeting, Brandywine and Loomis Sayles. The System's Real Estate Investment Manager, The Townsend Group, gave insight on the Real Estate Investment Plan for Calendar Year 2023. Callan provided a summary of the alternative investment portfolio, a market outlook, and plans for future alternative allocations.

Mr. Leveque reported on the NHRS performance as of May 31, 2023, noting the Total Fund return for the month was -1.16% versus the policy benchmark of -1.22%. He remarked on the calendar-year-to-date (CYTD) performance, reporting the plan is at 3.27% versus the benchmark of 5.12%. He noted for the past 12 months the policy benchmark is flat or 0% and the System's return was 1.21% for the period. He provided the total fund net performance fiscal year-to-date, which is at 4.84%, relative to the long-term actuarial rate of return target of 6.75%, adding that June had a positive performance, and he expects when the numbers become available for that month, the System will be close to its target. Lastly, Mr. Leveque gave an update by asset class. The performance for alternative investments is still reporting fourth quarter valuations, and the returns for 3-, 5-, and 10-year periods were as expected for the private investment asset classes. The Total Plan is at \$11.1 billion.

Trustee Merrifield reported the Legislative Committee plans to meet in July or August regarding the Retirement Benefits Study Commission created by House Bill (HB) 2. NHRS staff is working to implement new legislation. The most complicated change is with the Group I benefit recalculations relative to normal retirement age under Social Security, and the impact on the System's PGM3 project. Trustee Merrifield reported that HB 457 awaits the Governor's signature. That bill requires NHRS to report on a quarterly basis to the Office of Legislative Budget Assistant on compliance with the duty to make all investment decisions solely in the interest of the participants and beneficiaries. He noted the HB 2 Commission will meet this summer and the deadline for the Commission to complete its report is December 1. Lastly, he commented on the state appropriation of funds for a one-time \$500 payment to eligible retirees and beneficiaries as stated in HB 2.

On a motion by Trustee Frederick, seconded by Trustee Merrifield, the Board voted unanimously to certify to the Governor \$7.1 million, as the cost of the \$500 payment to eligible retirees and beneficiaries determined by GRS per HB 2 and for the Director of Finance to initiate a request for reimbursement, as presented.

Trustee Martins noted the Benefits Committee did not meet last month and is planning to

meet this month to review a pending recoupment matter.

Trustee Hannan reported on the PPCC, which met on June 5, and heard from Director of Human Resources Rosamond Cain on staffing updates, noting recruitment was underway for two open positions: an Imaging Specialist and an IT Infrastructure Engineer. She reported that the IT Infrastructure Manager position has since been filled with an internal candidate and NHRS hired one of the temporary employees to fill the Finance Accountant position. Trustee Hannan noted the Committee went into non-public session to discuss the non-union compensation recommendations for FY 24 and the PPCC heard from Ms. Cain and Executive Director Jan Goodwin regarding the management positions, annual appraisals, and recommended increases.

The Board meeting was running ahead of the agenda schedule and Chair Lesko called on Ms. Goodwin to begin the operating reports while waiting to temporarily adjourn to consult with legal counsel.

Ms. Goodwin opened her report with the KPMs, which were at 97.6% for the month, above the 95% benchmark. She provided a PGV3 status update, noting the project is 80% complete, with Deliverable 7 (My Account-Member Direct) at 50% complete. Ms. Goodwin summarized the staff activities associated with the project and reported that management and the PGV3 Team are planning for the mock parallel, which is next month and parallel processing in October and November. She mentioned the KPMs, noting there were two missed agencywide. She commented on the Contact Center and its continued success achieving its KPM goals. She reported on her monthly and most recent phone surveys to members, retirees, employers, and beneficiaries, noting the consistent positive feedback she receives on NHRS's customer service.

Ms. Goodwin then presented three contracts: the first, a sole-source contract from Investments for professional development for \$12,645.00; the second two from IT, one for new laptops/workstations and associated equipment from Dell for a total of \$139,221.54, and the other for a network hardware/firewall upgrade for \$79,989.73 with the System's existing vendor, Consolidated Communications. Some discussion ensued about the lifecycle of the new laptops and when the equipment would be replaced. Director of IT John Laferriere addressed the query noting IT is expected to receive the equipment in October and would implement them in early 2024 after PGV3 goes live.

Ms. Goodwin concluded her report by informing the Board that she approved a three-month contract on July 5 for cyber security consulting with GreenPages for \$5,022, which is under the \$10,000 threshold permitted under the Procurement Policy.

On a motion by Trustee Henry, seconded by Trustee Provost, the Board voted unanimously to accept the recommendation of the Executive Director that the Board approve the procurement of goods and services as presented in the Board materials, subject to contract and legal review.

Tim Crutchfield, Deputy Director and Chief Legal Counsel, provided an update on the electronic QDRO templates, which NHRS instituted a few months ago. Mr. Crutchfield reported that Legal met all seven of its applicable KPMs for the month. He gave an update on the private letter ruling (PLR), which the System's external legal counsel, Groom Law, submitted to the IRS relative to HB 2 from two years ago and the medical subsidy payment methodology. He noted an IRS decision on the PLR could take up to nine months. He reported his FY 23 action plan is complete, aside from an ongoing item regarding reviewing

the website for legal compliance and referred to his FY 24 action plan.

Mr. Karlon provided an update on the work his team continues to do on the PGV3 project, noting collaboration with several departments, including Finance on the Data Reporting System (DRS) employer training, putting together instructions and scheduling training sessions. He noted his team is simultaneously working on preparing background information for the Retirement Benefits Study Commission and implementing recently passed bills, such as the revision to the age 65 benefit recalculation, which will require PGV3 reprogramming and updating instructional materials. He announced filling the vacancy for a Communications Specialist on his team with an internal staff member. He reported PIO met all its KPMs and noted his action plans for FY 23 and FY 24.

At 10:19 a.m., Chair Lesko welcomed Attorney Cameron Shilling of McLane-Middleton, and called for a temporary adjournment of the meeting for the purpose of consulting with legal counsel under RSA 91-A:2, I (b). On a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted unanimously to temporarily adjourn.

At 10:37 a.m., on a motion by Trustee Henry, seconded by Trustee Mezzapelle, the Board voted unanimously to reconvene to the regular meeting of the Board of Trustees.

Chair Lesko turned to Director of Investments Raynald Leveque who welcomed guests from Apollo, with whom NHRS has private equity investments. He introduced Ria Nova, partner at Apollo, and Torsten Slok, Chief Economist at Apollo. Mr. Slok discussed his views and insights on the U.S. economic landscape, detailing market trends over the past three quarters, the projected economic growth as the Fed raises interest rates to settle inflation, and his perspective on the macroeconomy relative to the banking sector.

Mr. Laferriere, Director of IT, reported on cyber security awareness, noting IT did not perform a phishing test in June and is working on a new approach to the monthly phishing tests. He noted the metrics on that would be forthcoming. He commented on the recent appointment of a contracted service, GreenPages, to assess NHRS' security environment over the next few months. He reported on the firewall upgrade and the status of several other projects. He mentioned IT scored 100% on customer satisfaction and met all eight of its KPMs. He gave an update on the Teams videoconferencing, noting IT continues to make progress on installing the proof-of-concept systems to each of the conference rooms at NHRS. He gave an overview of upcoming projects and in closing, referred to his FY 23 and FY 24 action plans.

Mr. Leveque reported on Investments, noting his department met seven of the 10 KPMs, and that the others were not applicable this month. He provided an overview of the July IIC meeting, which will occur immediately after today's Board meeting. He then gave a synopsis of the real estate market, as provided by the System's Real Estate Investment Manager, The Townsend Group. Lastly, he referred to the FY 23 and FY 24 action plans for Investments.

Director of Member Services Nancy Miller opened her report with her department's continued work on preparations for PGV3 testing, training, and parallel, while simultaneously managing competing priorities in Member Services, including adjusting Pension Gold and the benefit calculation in association with recent legislation, and processing the July retirement filings. Ms. Miller gave a staffing update, mentioning the evaluation of positions to manage QDROs. She noted Member Services achieved all 21 of its KPMs. In closing, she noted her FY 23 and FY 24 action plans and commented on upcoming projects.

Director of Finance Marie Mullen reported on Finance, noting staff's extensive work on PGV3

with employer reporting and training. Finance achieved eight of its 13 KPMs; three KPMs did not have deliverables, and two were missed. One missed KPM was regarding bank reconciliation that was not achieved within the two days required because of a staffing transition and the other missed KPM, relative to producing and distributing the monthly actual-to-plan budget reports to the Executive Team within 10 business days from the end of the prior month, was not met because of PGM3 priorities. She informed the Board of some revisions to Finance KPMs, noting the removal of two and the rewording of another since these KPMs involved requirements outside of Finance's control.

Ms. Mullen reported on the net position year to date through December, noting an increase of \$66 million since June 30, 2022. She stated cash flows for May 2023 and the fiscal year-to-date were within the expected range and commented on the FYTD administrative expenses, noting some excess funds in several categories that will balance out accordingly. She noted that PGM3 project spending is below budget to date. Ms. Mullen concluded her report with upcoming projects and her FY 23 and FY 24 action plans.

Human Resources (HR) Director Rosamond Cain provided a staffing update, noting NHRS continues its recruiting efforts for two positions. She reported that NHRS is fully integrated with its payroll vendor, ADP, and can recruit through the system and obtain the employer report. She gave a status update on the System's position assessment process. She mentioned the annual Employee Appreciation Day will be held July 26. Lastly, she noted HR met all its KPMs for the month and presented her action plans for FY 23 and FY 24.

Chair Lesko next presented the Consent Agenda. On a motion by Trustee Martins, seconded by Trustee Hannan, 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 13, 2023, Board meeting, noting everything except Item 1 is completed and she expects to receive the data from the remaining municipality to complete Item 1 in the near future.

During the Board checkpoint, Chair Lesko praised staff for their ongoing efforts with the PGM3 project.

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 11:44 a.m.

Respectfully submitted,

Christine McKenney
Communications Specialist

NHRS Board of Trustees

Minutes – August 8, 2023

Note: These minutes from the August 8, 2023, Public Session were approved and executed at the September 12, 2023, Board of Trustees meeting.

Board of Trustees

August 8, 2023

Public Minutes

New Hampshire Retirement System

54 Regional Drive

Concord, New Hampshire 03301

Participating: *Tim Lesko, Chair; Trustees Jon Frederick, Sue Hannan, Jason Henry, Maureen Kelliher, Robert Maloney*, Andrew Martineau, Germano Martins, Ken Merrifield, Monica Mezzapelle, Paul Provost, Don Roy, and Joshua Quigley.*

**This Trustee participated remotely; therefore, all votes were by roll call.*

Staff: *Jan Goodwin, Executive Director; Timothy Crutchfield, Deputy Director and Chief Legal Counsel; Raynald Leveque, Chief Investment Officer; John Laferriere, Director of IT; Marty Karlton, Director of Communications and Legislative Affairs; Mark F. Cavanaugh, Associate Counsel and Compliance Officer; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Deanna Higgins, Contact Center Supervisor; Tracy Knight, Project Manager; Greg Richard, Senior Investment Officer; Shana Bilech, Investment Officer; Jesse Pasierb, Investment Operations Analyst; Diana Crichton, Hearings Examiner; and Christine McKenney, Communications Specialist.*

Chair Tim Lesko called the August 8, 2023, regular meeting of the NHRS Board of Trustees to order at 10:30 a.m. and after establishing a quorum, he called for a vote to approve the meeting minutes of the July 11, 2023, Board meeting. On a motion by Trustee Henry, seconded by Trustee Provost, the Board voted to approve the meeting minutes, as amended.

Trustee Mezzapelle gave a report on the Audit Committee, which met earlier this morning. The Committee heard updates from Internal Audit, including the status of items on the Fiscal Year (FY) 24 Audit Plan. She noted the progress of the GASB Census Data Audits, stating the System has reviewed 21 of the 23 employers selected by NHRS' external auditor, Plante Moran. In closing, Trustee Mezzapelle mentioned the Committee reviewed the Audit Policy and its charter, which the Committee expects to finalize next month for the Board's consideration.

Trustee Roy gave an update on the Governance Committee, which had not met since its July meeting. The Committee plans to meet prior to the September Board meeting to review its charter and staff compliance with the Office of Foreign Asset Control (OFAC) Policy, as well as discussing the 2024 schedule for the Board meetings.

Trustee Kelliher reported on the July 11, 2023, Independent Investment Committee (IIC, Committee) meeting. Chief Investment Officer Raynald Leveque provided an update on

investment returns through recent time-periods, referring to Callan's May 31, 2023 report. He gave updates on holdings within the NHRS portfolio, the rebalancing from domestic equities to fixed income, which is within its mandated allocation range. Mr. Leveque also gave updates to the IIC on liquidity and Russian holdings. He presented the second quarter, or Q2, of the FY 24 Work Plan, noting staff continues to work on the total plan analysis, including a strategic asset allocation update. The Committee voted to approve Q2 of the FY 24 Work Plan. Trustee Kelliher reported the Committee then heard macroeconomic presentations from two of the System's investment managers, JP Morgan and BlackRock.

Mr. Leveque reported on the preliminary performance for NHRS as of June 30, 2023, noting the Total Fund net return for the fiscal year-to-date (FYTD) period was 7.98%, 48 basis points above the policy benchmark of 7.50%. He remarked on the importance of looking at the long-term performance, noting the returns at the 10-year period are at 7.85%, above the actuarial rate of return of 6.75%. He commented on total plan performance for three- and five-year periods. He reviewed the FYTD performance for the asset classes, noting the recovery of non-U.S. equity assets and the positive returns for fixed income and cash. It was noted that these preliminary numbers do not include updated Q2 valuations for real estate, private equity, and private credit investments, and the final, audited FY 23 returns won't be available until the fall. The total Plan assets stood at \$11.39 billion.

Trustee Merrifield gave an update on the Legislative Committee, which met August 4. The committee heard from Marty Karlon, Director of Communications and Legislative Affairs, who gave an overview of the implementation of five NHRS-related bills that became law. The Committee reviewed its charter and voted to make minor changes and expects to present it to the Board for approval next month. Trustee Merrifield referred to House Bill (HB) 2 and the Retirement Benefits Commission (Commission) that developed from it. He reported the Commission met last week and appointed a chairperson but because the chosen chair was not in attendance, the Commission concluded its meeting and is scheduled to meet August 17. In closing, Trustee Merrifield noted the filing period for FY 24 legislation begins next month.

Trustee Martins reported the Benefits Committee met July 18, and approved its May 8 meeting minutes during its public session prior to entering into a non-meeting under RSA 91-A to consult with legal counsel on a recoupment matter. The Committee plans to meet before the September Board meeting to review its charter and the Independent Medical Examiner (IME) Policy.

Trustee Hannan reported on the PPCC, which met on August 7, with only Trustees to discuss compensation for the Executive Director and at approximately 10:45 a.m., Trustee Hannan requested the Board go into a non-public session.

On a motion by Trustee Frederick, seconded by Trustee Mezzapelle, the Board voted unanimously to enter into a non-public session to discuss a personnel matter, under RSA 91-A:3, II(c).

On a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted unanimously to return to the public session of the Board meeting at approximately 11 a.m.

On a motion by Trustee Hannan, seconded by Trustee Provost, the Board voted unanimously to approve the recommendation of the PPCC regarding the Executive Director's

compensation.

Next, Chair Lesko turned to Executive Director Goodwin for her operating report. She began by noting the KPMs were at 97.44% for the month. She provided a PGMV3 status update, noting testing on Deliverable 7 (My Account-Member Direct) is going smoothly. Ms. Goodwin commented on mock parallel, which began this week, with Finance and Member Services testing a broad range of the PGMV3 programming. LRS will be on site next week to assist with the mock parallel. She mentioned that she and Deputy Director and Chief Legal Counsel Tim Crutchfield have been working to obtain XML test files from employers to assist Finance in preparation for the testing.

Ms. Goodwin gave an update on PBI Research Services (PBI) and its recent data incident, which involved a vulnerability in its data transfer application, MOVEit, but the incident did not compromise NHRS' system or network. PBI recently notified the NHRS retirees and beneficiaries in a letter of the potential effect of the incident and NHRS provided information on its website.

Ms. Goodwin next referred to the 12-month KPM average, noting it is above the 95% benchmark. She commented on the Contact Center's continued success of answering calls with less than a 5% abandoned rate. She reported on her monthly phone surveys on NHRS' customer service to members, retirees, employers, and beneficiaries, noting that any negative feedback she receives is mostly out of NHRS's control and has to do with health insurance issues, which is handled through the State's Department of Administrative Services, and the length of time for processing refunds, for which NHRS relies on employers' contribution reporting to calculate the total refund. Ms. Goodwin commented on the annual phone survey results and the summary of the FY 23 results, which have been positive and consistent with other time-periods.

Ms. Goodwin then presented three contracts from IT for Board action. The first is for a three-year agreement with Green Pages for outsourcing and security monitoring and remediation services for an annual cost of \$126,818.52. The outsourcing would replace the need for a full-time in-house Information System Security Officer, which has been a difficult position for NHRS to fill and retain. The second is for a two-year contract with LexisNexis, a current provider, as part of PGMV3 to authenticate members for use of MyAccount for an estimated total of \$210,000.00. The third contract is a three-year contract for a cloud-based phone service through Fusion Connect for an annual cost of \$33,169.32. She noted the cost-effectiveness of the third contract, mentioning that NHRS would no longer need the \$15,000 contract for services at its disaster recovery co-location. On a motion by Trustee Roy, seconded by Trustee Mezzapelle, the Board voted unanimously to accept the recommendation of the Executive Director that the Board approve the procurement of goods and services as presented in the Board materials, subject to contract and legal review.

Ms. Goodwin concluded her report by informing the Board of her approval of two additional contracts within the Executive Director's authority under the Procurement Policy. The first contract, which she approved for \$7,194, is with MOVEit, for secure data transmission on behalf of NHRS. The second is an amendment to the copier contract, which added a color copier, for a five-year total of \$15,000, or \$3,000 annually. Lastly, she noted her action plan is progressing, and on behalf of Director of Finance Marie Mullen, she presented the monthly Dashboard.

Mr. Karlson provided an update on the three items his team has been focused on: the PGMV3 Data Reporting System (DRS) training for employers, the Retirement Benefits Commission,

and implementation of 2023 legislative changes. He reported on the status of the DRS training, noting PIO held about six sessions with the assistance of NHRS Employer Reporting Manager Joy Tardif. He noted the positive feedback received through the surveys and the implementation of some of the suggestions from the sessions. A Trustee inquired about the legislation relative to investment reporting, which will require NHRS to report quarterly to the Legislative Budget Administration (LBA) that the System is investing in the best interest of its members and beneficiaries. Mr. Karlon reported that the law goes into effect August 29, and NHRS will prepare a letter to the LBA for submission October 1.

John Laferriere, Director of IT, reported on cyber security awareness, noting IT continues to work with Green Pages on phishing tests and conducted a security review that resulted in no issues. He mentioned IT scored 100% on customer satisfaction and met all eight of its KPMs. He gave an update on several projects, noting the internet connectivity project is complete, along with the proof-of-concept of the new phone system. He reported that NHRS received its new generator, which was installed and tested last week. In closing, Mr. Laferriere gave an overview of upcoming projects and referred to his action plan.

On behalf of Director of Human Resources (HR) Rosamond Cain, Ms. Goodwin presented the HR operating report, noting there are two current staff openings, and the new Imaging Specialist begins August 21. She reported that the NHRS XML test file is nearly complete for PGV3 and provided some insight on upcoming plans and projects, including all staff training planned for CY 24 and lastly, noted her action plan.

Mr. Leveque gave a brief update on the Investment team, reporting on six of the 10 KPMs his department achieved, adding that two were missed and two were not applicable this month. He mentioned the vacant position for an Investment Officer and that he is working with HR to fill the position. He provided an overview of the August IIC meeting, which will occur immediately after today's Board meeting, and in closing, referred to his action plan.

Mr. Crutchfield presented his legal report, beginning with the annual Ethics Survey, requesting the Trustees to complete and return it as soon as possible. He commended Communications Specialist Christine McKenney and Mr. Karlon on improving the process by issuing it through Survey Monkey, which has received positive feedback from service providers and managers on the new process. He provided a status update on the Private Letter Ruling request that was filed in June, noting the IRS had additional questions on the medical subsidy process. NHRS worked on responses with Groom Law and they were submitted last week to the IRS. He reported on KPMs, noting his department met all seven. Lastly, he gave an overview of upcoming plans and projects, including suggested revisions to all committee charters to reflect RSA 100-A compliance.

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 Trustee Frederick abstaining from Item 2, and Trustee Hannan abstaining from Item 7.

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the July 11, 2023, Board meeting, noting everything except Item 1 is completed. She provided an update on Item 1, stating Finance has completed reconciliations for the Town of Hudson but is waiting for funds from the Town before it can certify its contributions to the State Treasurer. She expects Item 1 will be complete by next month's Board meeting.

During the Board checkpoint, Chair Lesko discussed the possibility to change the Board of Trustees meeting schedule to something less than monthly. A robust discussion ensued on several timely and budgetary items that could possibly be delegated to subcommittees. Ms. Goodwin suggested the discussion continue with the Governance Committee and mentioned all Trustees can attend the Governance Committee meeting to be heard. Mr. Crutchfield commented on staff's current review of the Procurement Policy relative to the current spending thresholds under the Executive Director's discretion that have not been revised since 2008.

With no further business to discuss, on a motion by Trustee Roy, seconded by Trustee Hannan, the Board voted unanimously to adjourn the meeting at 11:42 a.m.

Respectfully submitted,

Christine McKenney
Communications Specialist

NHRS Board of Trustees

DRAFT Minutes – September 12, 2023

Note: These **draft** minutes from the September 12, 2023, Public Session are subject for approval at a subsequent Board of Trustees meeting.

Board of Trustees

September 12, 2023

DRAFT Public Minutes

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

Participating: *Tim Lesko, Chair; Trustees Jon Frederick, Sue Hannan, Jason Henry, Maureen Kelliher, Robert Maloney, Andrew Martineau, Germano Martins, Ken Merrifield, Monica Mezzapelle, Paul Provost, Don Roy, and Joshua Quigley.*

Staff: *Jan Goodwin, Executive Director; Timothy Crutchfield, Deputy Director and Chief Legal Counsel; Raynald Leveque, Chief Investment Officer; John Laferriere, Director of IT; Marty Karlon, Director of Communications and Legislative Affairs; Mark F. Cavanaugh, Associate Counsel and Compliance Officer; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Tracy Knight, Project Manager; Greg Richard, Senior Investment Officer; Shana Bilech, Investment Officer; Diana Crichton, Hearings Examiner; and Christine McKenney, Communications Specialist.*

Chair Tim Lesko called the September 12, 2023, regular meeting of the NHRS Board of Trustees to order at 10:30 a.m. and after establishing a quorum, he called for a vote to approve the meeting minutes of the August 8, 2023, Board meeting. On a motion by Trustee Maloney, seconded by Trustee Henry, the Board voted unanimously to approve the meeting minutes.

At 10:33 a.m., Trustee Quigley joined the meeting.

Trustee Mezzapelle presented the report of the Audit Committee, which met earlier this morning. The Committee reviewed the outstanding items in Internal Audit, which are on hold through January due to PGV3 preparation. She referred to the Fiscal Year (FY) 2024 Audit Plan, noting that Internal Audit has begun two new audits: one on Benefits Administration, and the other on Right-to-Know Requests. She reported the GASB Census Data Audits have been completed and submitted to Plante Moran for review. Finance provided a brief update to the Committee on External Audit items, which are on schedule. In closing, Trustee Mezzapelle mentioned the Committee finalized the review of its Audit Policy and Charter and voted to recommend to the Board that it approve a revision in the Charter regarding meetings under RSA 100-A:14-a.

On a motion by Trustee Roy, seconded by Trustee Frederick, the Board voted unanimously to accept the recommendation of the Audit Committee to approve the revision to the Committee charter, as presented.

Trustee Roy gave an update on the Governance Committee, which met on August 23, and voted on several items to recommend for Board approval. Trustee Roy presented the four items: the Committee's revised charter with regard to meetings; minor grammatical and clarifying edits to

the Office of Foreign Asset Control (OFAC) Policy, noting there were no violations in this year's review; an increase to the dollar amount limit under the Executive Director's discretion in the Procurement Policy; and, the 2024 Board meeting calendar, as discussed at the August Board meeting, to meet bi-monthly.

On a motion by Trustee Martins, seconded by Trustee Frederick, the Board voted unanimously to approve the recommendation of the Governance Committee to accept the revised Governance Committee Charter, as presented.

On a motion by Trustee Maloney, seconded by Trustee Roy, the Board voted unanimously to accept the recommendation of the Governance Committee that the Board approve the revisions to the OFAC Policy, as presented.

On a motion by Trustee Mezzapelle, seconded by Trustee Martins, the Board voted unanimously to accept the recommendation of the Governance Committee to approve the revisions to the Procurement Policy, as presented.

There was a robust discussion on the proposed 2024 NHRS meeting schedule, in reference to the meeting day and the delegation of action items to Board subcommittees. On a motion by Trustee Martins, seconded by Trustee Hannan, the Board voted unanimously to approve the 2024 Board Meeting Calendar to meet bimonthly beginning in February, on the second Tuesday of those months.

Trustee Kelliher reported on the August 8 Independent Investment Committee (IIC, Committee) meeting. Chief Investment Officer Raynald Leveque provided an update on investment returns through recent time periods, referring to Callan's June 30, 2023, report. He gave updates on holdings within the NHRS portfolio and confirmed asset allocations are within range. Mr. Leveque also gave updates on liquidity, Russian holdings, and the FY 24 Work Plan. Staff continue to work on the total plan analysis project, including a strategic asset allocation update. Trustee Kelliher reported that the Committee then heard two presentations, one from private credit manager Ares Management (Ares), and the other from fixed income manager Income Research & Management (IR+M). The Committee discussed the presentation from Ares and the opportunity to invest in its Pathfinder Fund II. The Committee voted unanimously to commit \$50 million to Ares Pathfinder Fund II, subject to contract and legal review. Trustee Kelliher mentioned the IR+M presentation was part of its five-year contract renewal, which the Committee will vote on at its meeting today, immediately following the Board meeting. She turned to Mr. Leveque for further updates on portfolio performance.

Mr. Leveque reported on the preliminary performance for NHRS as of July 31, noting the Total Fund net return for the fiscal year-to-date (FYTD) period was 1.68%, and the calendar year-to-date (CYTD) performance was 8.16%. He reported on long-term performance for three, five, and 10-year periods, which had returns of 9.06%, 7.07%, and 7.67%, respectively. Mr. Leveque gave an overview of performance in the individual asset classes. He discussed that the Alternatives still reported 1st quarter returns and noted that 2nd quarter returns would be available next month. The Plan assets are at \$11.6 billion. There was also a discussion to revise the labels of the various investment metrics.

Trustee Merrifield gave an update on the Legislative Committee, which did not meet in August. He mentioned the House filing period for Legislative Service Requests began Monday, September 11, and the Committee plans to monitor any titles relative to NHRS. He noted the House filing period ends Friday, September 15. He mentioned the Senate filing period will occur in the fall. Trustee Merrifield reported on the Retirement Benefits Commission, which plans to meet this Thursday and is expected to discuss the actuarial analysis of two amendments impacting the benefit calculations for Group II, Tier B members. He noted staff

continues to work with LRS on the HB 2 programming for Group I benefits recalculation.

Trustee Merrifield then referred to the Legislative Charter, which the Committee voted to recommend the same revision as other Committees for Board approval.

On a motion by Trustee Hannan, seconded by Trustee Mezzapelle, the Board voted unanimously to accept the recommendation of the Legislative Committee to approve the revision to the Legislative Committee Charter, as presented.

Trustee Merrifield concluded his report by turning to Marty Karlon, Director of Communications and Legislative Affairs, who had nothing more to add but welcomed any questions, but there were none.

Trustee Martins reported on the Benefits Committee, which met August 29, to conduct the annual review of the Independent Medical Examiners (IMEs) that the retirement system uses per the IME Policy. Staff reported there were no disciplinary actions against the three IMEs in the states where they practice. Trustee Martins reported staff are working to increase the number of qualified IMEs to serve the System. He noted staff would present the annual Gainful Occupation report for Committee review prior to the Board's October meeting. Lastly, he referred to the Benefits Committee Charter, which the Committee voted to recommend the same revision to the Board for approval.

On a motion by Trustee Merrifield, seconded by Trustee Roy, the Board voted to accept the recommendation of the Benefits Committee to approve the revision to the Benefit Committee Charter, as presented.

Trustee Hannan reported on the PPCC, which met August 28, and heard staffing updates from Human Resources (HR) Director Rosamond Cain, noting NHRS is recruiting for two open positions in IT and one in Investments. The Committee then discussed Succession Planning, for which an update would ordinarily occur this month. Because of PGM3, Ms. Cain recommended to delay the 2023 update until February 2024 and the Committee agreed with her recommendation. The PPCC performed the annual review of its Charter and voted unanimously to recommend that the Board accept the same revision as to all Committee charters.

On a motion by Trustee Henry, seconded by Trustee Roy, the Board voted unanimously to accept the recommendation of the PPCC to approve the revision to the PPCC Charter, as presented.

Chair Lesko turned to Executive Director Goodwin for her operating report. She began by noting the KPMs were at 98.63% for the month, well above the 95% benchmark, noting the 12-month rolling average was 97.53%. One KPM was missed agency-wide for the month. She provided the latest update on PGM3, which is 84% complete, with Deliverable 7 (My Account-Member Direct) at 100% complete. Ms. Goodwin reported on the Data Reporting System (DRS), which is what employers use to report to NHRS, noting the availability of a "sandbox," or testing area, for employers to get acquainted with the new system. Ms. Goodwin reported staff are preparing for parallel processing, which begins October 9, and an increased effort to obtain XML test files from employers is underway, as well as verification of those files.

Ms. Goodwin announced the plan to add an artificial intelligence (AI) chat bot to the NHRS website to assist stakeholders with questions. She reported that Director of IT John Laferriere is building the bot in-house. A brief question-and-answer session occurred regarding the chat bot's features, availability, and expected cost.

She then discussed federal legislation that prohibits public pension entities from accessing the

Social Security master death file. As a result, NHRS uses research services such as PBI and LexisNexis to verify death benefits. Ms. Goodwin shared with Trustees of her efforts to change the current legislation and allow public pensions access to the Social Security master death file, noting she has garnered support from several public pension groups, including the National Council of Public Employee Retirement Systems (NCPERS), which will take the lead on the proposed federal legislation.

She reported on the status of the retirement system's statutory obligation of providing account statements in September, noting staff are completing the statements, which will be available later this month. She provided an update on the Contact Center and her monthly calls to employers, members, and recent retirees on NHRS' customer service, which continues to receive positive feedback. Lastly, she noted her action plan, and presented the Dashboard report, on behalf of Finance Director Marie Mullen.

Mr. Laferriere opened his report with cyber security awareness, noting IT regularly conducts phishing tests and stated no extra training for staff was necessary in August. He commented on the onboarding of the new Managed Security Service Provider (MSSP), Green Pages, noting the implementation and monitoring of infrastructure security monitors and management of patch deployment. He reported the MSSP has not found new vulnerabilities or threats.

He mentioned IT scored 100% on customer satisfaction and met all eight of its KPMs. He also gave an update on several projects. He noted the recruitment of a temporary project manager to track various IT projects. Mr. Laferriere reported that the AI chat bot has been built and the NHRS Contact Center is developing benefit-related questions and testing the bot to ensure it is providing accurate data only from the NHRS website. A healthy discussion occurred about the chat bot's limitations and capabilities for NHRS. In closing, Mr. Laferriere gave an overview of upcoming projects, and referred to his action plan.

Mr. Leveque gave a brief update on the Investment team, reporting that it achieved seven of the 10 KPMs, adding that three KPMs were not applicable this month. He provided an overview of the agenda for today's IIC meeting, and he referred to his action plan, which is on track, noting that Item 8 is on hold while staff researches the best options.

Ms. Cain gave an update on HR activities, including the recruitment for the open positions in IT and Investments, noting second interviews are scheduled for next week. She reported of another open position for an Administrative Assistant, which is on hold to figure out the details of the position description. She mentioned HR is building a performance appraisal management system through ADP to relieve HR of manually tracking the performance appraisal process. Lastly, she noted HR is training on the compensation module in ADP that will help with the changes in the CBA.

Mr. Crutchfield presented his legal report, beginning with the recent increase in calls from retirees who received notification letters from PBI. He noted Associate Counsel Mark Cavanaugh has handled many escalated calls. He updated the Trustees on the LexisNexis contract negotiations in reference to providing online member authorization to the MyAccount portal, as part of the PGV3 project. He mentioned the annual ethics survey, thanking the Trustees for their responses, noting that a report on the survey results would come before the Audit Committee and the Board in October or November. He noted that Legal achieved all seven of its applicable KPMs for the month. He gave a brief update on the Private Letter Ruling (PLR), which was requested as part of HB 2 in 2021, on the Medical Subsidy payment process, confirming that the PLR has been submitted to the IRS and he expects NHRS would hear from the IRS in the next few months. He also provided an update on his action plan.

Mr. Karlton opened his report with the messaging PIO has been working on to keep employers,

members, and retirees aware of potential delayed processes because of PGV3 and the new My Account. He stated much of the communication on PGV3 will be repeated multiple times through several channels to keep stakeholders abreast of the data system transition. He discussed employer reporting, and the work PIO is doing with Finance and LRS to educate employers on reporting in the new system for active members. PIO and Member Services are collaborating to produce instructional slides on insurance procedures in the DRS and PIO is assisting with scheduling employer training on that, along with one-on-one training with the large health insurance vendors. Lastly, he noted the annual retiree reporting in the new DRS, which isn't due until January. He said PIO will provide education sessions on that in December and January.

He next commented on the Retirement Benefits Commission, noting the proposed amendments that are under review this week are at the expense of the legislature and not NHRS. He listed several other items the Commission is charged to consider before the end of November, including funding for future cost-of-living adjustments (COLAs) and recruitment issues. In closing, he reported on upcoming PGV3 employer education events and an overview of the legislative landscape in anticipation of the 2024 session beginning in January.

Chair Lesko next presented the Consent Agenda. On a motion by Trustee Maloney, seconded by Trustee Martins, the Board voted to approve the Consent Agenda, with Trustee Hannan abstaining from Item 2, and Trustee Quigley abstaining from Item 5.

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the August 8, 2023, Board meeting, noting everything will be completed at the conclusion of today's meeting.

During the Board checkpoint, Chair Lesko noted the Committees are fully represented and reminded Trustees to contact him if they have interest in joining an additional Committee or the desire to switch from one Committee to another.

With no further business to discuss, on a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted unanimously to adjourn the meeting at 11:48 a.m.

Respectfully submitted,

Christine McKenney
Communications Specialist

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods ended March 31, 2023. 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, 2023							
	Market Value \$(Dollars)	Ending Weight	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years
Net of Fees							
Domestic Equity	\$3,410,669,514	30.75%	5.82%	9.75%	(7.73%)	19.28%	9.13%
US Equity Benchmark	-	-	7.18%	9.75%	(8.58%)	17.07%	10.32%
Non US Equity	\$1,996,213,516	18.00%	9.31%	14.46%	(0.76%)	12.20%	2.44%
Non US Equity Benchmark	-	-	6.87%	10.03%	(5.07%)	11.80%	2.47%
Fixed Income	\$2,084,180,435	18.79%	3.21%	1.82%	(4.74%)	0.80%	1.37%
Fixed Income Benchmark	-	-	2.93%	0.55%	(4.61%)	(2.02%)	1.05%
Cash	\$102,690,710	0.93%	1.15%	2.59%	2.74%	1.02%	1.48%
3-month Treasury Bill	-	-	1.07%	2.40%	2.50%	0.89%	1.41%
Real Estate **	\$1,363,803,705	12.29%	(3.27%)	(2.27%)	8.22%	13.31%	11.20%
Real Estate Benchmark **	-	-	(5.17%)	(0.55%)	6.55%	8.97%	7.72%
Alternative Assets **	\$2,135,435,236	19.25%	1.32%	0.11%	1.38%	14.27%	11.43%
Alternatives Benchmark **	-	-	6.60%	(9.34%)	(11.63%)	7.53%	9.11%
Total Fund	\$11,092,993,117	100.00%	3.78%	5.35%	(2.20%)	11.93%	6.83%
Total Fund Benchmark*	-	-	4.77%	3.93%	(5.26%)	9.36%	6.47%

* 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% 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%.

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

The table below details the rates of return for the fund's asset classes over various time periods ended July 31, 2023. Negative manager excess returns are shown in **red**, positive excess returns in **green**. Returns for one year or greater are annualized.

Net of Fees Returns for Periods Ended July 31, 2023									
Composite	Total Fund Weighting As of 7/31/2023	Last Month	Last 3 Months	FYTD	CYTD	LTM	3-YR	5-YR	10-YR
Total Domestic Equity	31.03%	3.73%	10.29%	3.73%	17.27%	11.25%	13.83%	9.88%	10.97%
<i>Domestic Equity Benchmark(1)</i>		3.58%	11.09%	3.58%	20.33%	12.65%	12.25%	11.33%	12.22%
<i>Excess Return</i>		0.15%	-0.80%	0.15%	-3.06%	-1.40%	1.57%	-1.45%	-1.25%
Total Non US Equity	18.35%	2.51%	4.52%	2.51%	16.52%	16.67%	7.00%	3.96%	4.85%
<i>Non US Equity Benchmark(2)</i>		4.07%	4.78%	4.07%	13.92%	13.42%	7.09%	3.85%	4.72%
<i>Excess Return</i>		-1.55%	-0.26%	-1.55%	2.59%	3.26%	-0.08%	0.11%	0.13%
Total Fixed Income	19.56%	0.47%	-0.41%	0.47%	3.30%	-0.63%	-2.32%	1.58%	2.26%
<i>Bloomberg Capital Universe Bond Index</i>		0.10%	-1.09%	0.10%	2.43%	-2.40%	-3.95%	0.96%	1.78%
<i>Excess Return</i>		0.37%	0.68%	0.37%	0.87%	1.77%	1.63%	0.62%	0.48%
Total Cash	0.97%	0.44%	1.29%	0.44%	2.84%	4.18%	1.49%	1.69%	1.11%
<i>3-Month Treasury Bill</i>		0.40%	1.25%	0.40%	2.66%	3.95%	1.40%	1.60%	1.02%
<i>Excess Return</i>		0.04%	0.04%	0.04%	0.17%	0.22%	0.09%	0.09%	0.08%
Total Real Estate (Q1)*	11.20%	-0.21%	-3.56%	-0.21%	-6.35%	-5.34%	12.29%	9.47%	11.04%
<i>Real Estate Benchmark(3)</i>		-0.97%	-3.21%	-0.97%	-9.26%	-6.24%	7.32%	6.23%	8.23%
<i>Excess Return</i>		0.76%	-0.35%	0.76%	2.91%	0.91%	4.97%	3.24%	2.81%
Total Private Equity (Q1)*	14.00%	0.14%	1.01%	0.14%	2.54%	0.46%	18.60%	13.11%	12.20%
<i>Private Equity Benchmark(4)</i>		1.21%	1.83%	1.21%	17.33%	4.09%	17.05%	14.53%	15.81%
<i>Excess Return</i>		-1.07%	-0.83%	-1.07%	-14.79%	-3.63%	1.55%	-1.42%	-3.60%
Total Private Debt (Q1)*	4.89%	0.01%	1.20%	0.01%	2.76%	4.14%	8.21%	5.21%	6.62%
<i>Private Debt Benchmark(5)</i>		1.17%	1.24%	1.17%	9.17%	3.59%	5.15%	3.16%	6.76%
<i>Excess Return</i>		-1.16%	-0.04%	-1.16%	-6.41%	0.55%	3.06%	2.04%	-0.14%
Total Fund Composite	100.00%	1.68%	3.51%	1.68%	8.16%	5.64%	9.06%	7.07%	7.67%
<i>Total Fund Benchmark(6)</i>		2.00%	3.88%	2.00%	10.54%	6.11%	7.10%	7.07%	7.81%
<i>Excess Return</i>		-0.31%	-0.36%	-0.31%	-2.38%	-0.46%	1.96%	0.01%	-0.13%

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

(2) 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.

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

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

(5) The Private Debt Benchmark is (50% MStar LSTA Leveraged Loan 100 Idx + 50% Bloomberg High Yield Index) + 1% lagged 1 quarter as of 7/1/2022.

(6) Current Month Target = 30.0% Russell 3000 Index, 25.0% Bloomberg Universal, 20.0% MSCI ACWI ex-US, 10.0% NCREIF NFI-ODCE Value Weight Net lagged 3 months, 10.0% Russell 3000 Index lagged 3 months+2.0%, 2.5% Bloomberg High Yield Corp lagged 3 months+1.0% and 2.5% MStar LSTA Lev Loan 100 lagged 3 months +1.0%.

(7) For the trailing 25 year period ended 7/31/23, the Total Fund has returned 6.59% versus the Total Fund Custom Benchmark return of 6.70%.

*Real Estate and Alternatives market values reflect current custodian valuations, which are typically lagged approximately 1 quarter.

NHRS Retiree Work Hours for 2022

RSA 100-A:1, XXXIV limits the work hours for NHRS retirees who work part-time for participating employers. Retirees working part-time prior to January 1, 2019, (“Grandfathered”) may work a maximum of 1,664 hours for as long as they remain in at least one of the part-time positions they held prior to that date. Retirees who retired on or after January 1, 2019, (“Not Grandfathered”) may work a maximum of 1,352 hours per calendar year. Employers are required to report on an annual basis all hours worked and compensation paid to any NHRS retirees in the prior calendar year.

The following is a summary of the work hours and compensation reported to NHRS for the 2022 calendar year.

CATEGORY	ALL RETIREES WORKING	GRANDFATHERED	NOT GRANDFATHERED	EXEMPT	NOT EXEMPT	STATE	POLITICAL SUBDIVISIONS
Number of Working Retirees	2,763	1,247	1,516	124	2,639	361	2,402
Total Work Hours	1,492,419	841,087	641,332	134,251	1,348,168	298,970	1,183,449
Average Annual Hours	537	674	423	1,091	511	828	493
Total Compensation	\$46,051,086	\$25,767,483	\$20,283,603	\$4,478,785	\$41,572,240	\$8,909,105	\$37,141,986
Average Annual Compensation	\$16,667	\$20,664	\$15,587	\$36,412	\$18,639	\$24,679	\$15,543

CATEGORY	POLICE	FIRE	TEACHER	EMPLOYEE
Number of Working Retirees	354	88	703	1,618
Total Work Hours	236,934	42,929	240,921	961,734
Average Annual Hours	669	488	343	594
Total Compensation	\$9,272,483	\$1,518,102	\$8,330,717	\$26,930,484
Average Annual Compensation	\$26,193	\$17,251	\$11,849	\$16,644

Notes: 1. **This data has not been audited**; 2. Because some retirees worked for multiple employers and/or had part-time employment in multiple member groups, the total number of retirees in particular groupings will differ slightly from the aggregate data; 3. Although exempt retirees (i.e., bailiffs, court security officers and retirees in full-time positions that are not subject to mandatory enrollment) are not subject to the annual limit on work hours, their wage and hour information is included in this summary pursuant to RSA 100-A:16 VII(a).



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

October 1, 2023

TO: Michael W. Kane, Legislative Budget Assistant

CC: Governor Christopher, T. Sununu
Rep. Carol McGuire, Chairman, House Executive Departments and Administration
Sen. Howard Pearl, Chairman, Senate Executive Departments and Administration

FROM: New Hampshire Retirement System Board of Trustees and Independent Investment Committee
(Prepared by Jan Goodwin, NHRS Executive Director, and Raynald Leveque, NHRS Chief Investment Officer)

RE: Quarterly Compliance Notice

Dear Mr. Kane:

Pursuant to RSA 100-A:15, VIII(a), we are writing to confirm that New Hampshire Retirement System is in compliance with its duty to make all investment decisions solely in the interest of its participants and beneficiaries and does not have investments in any funds that may have mixed, rather than sole, interest investment motivations.

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

Respectfully,

A handwritten signature in blue ink that reads "Jan Goodwin".

Jan Goodwin
Executive Director

A handwritten signature in blue ink that reads "Raynald D. Leveque".

Raynald Leveque
Chief Investment Officer

The Group I pension recalculation

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

One of the most common questions Group I (Employee and Teacher) members have about their pension is, "Why is my benefit recalculated?"

Prior to 1988, the law governing the New Hampshire Retirement System tied Group I pension benefits to federal Social Security benefits. Because of this linkage, Group I pension recipients would see a benefit reduction of anywhere from 10 percent to as much as 50 percent.

The Legislature de-linked Group I pension benefits from Social Security in 1988 but left in the law a pension recalculation provision that reduced Group I pension benefits approximately 10% at age 65.

When NHRS benefits were de-linked from Social Security, it was considered a significant benefit enhancement for active Group I members. Over time, however, the age 65 recalculation came to be seen as inequitable by many members and retirees whose full Social Security age was greater than 65.

The full retirement age for Social Security, also called "normal retirement age," was, and remains, 65 for anyone born in 1937 or earlier. Currently, the normal retirement age is 67 for anyone born in 1960 or later. For people born between 1938 and 1959, the normal retirement age varies from 65 years, 2 months, to 66 years, 10 months.

After several unsuccessful legislative attempts to revise or eliminate the Group I benefit recalculation in recent years, the law was changed in 2023 so that all Group I members who retire on or after July 1, 2023, will experience the recalculation in their pension amount beginning the month following attainment of their full Social Security retirement age. The recalculation following attainment of age 65 remains in effect for Group I members who retired prior to July 1, 2023.

GROUP I SERVICE RETIREMENT BENEFIT CALCULATION EXAMPLE

A Group I member retires on or after July 1, 2023, with 30 years of Creditable Service and Average Final Compensation of \$60,000.

Pension calculation prior to attainment of full Social Security retirement age:

\$60,000 divided by 60 = \$1,000 multiplied by 30 years = \$30,000

Pension calculation following attainment of full Social Security retirement age:

\$60,000 divided by 66 = \$909.08 multiplied by 30 years = \$27,273

~~Group I benefit recalculation~~ The Group I pension recalculation



The 2017 Decennial Retirement Commission had a specific statutory charge to, “Study the feasibility and cost of eliminating the reduction in a retiree’s retirement allowance upon reaching the age of 65.” The commission recommended to defer the reduction in benefits for Group I active employees from age 65 to age 67 for active members. According to the commission report, “There was sentiment to remove the reduction in its entirety, but the reality of budget constraints makes that option unrealistic at this time.”

* * *

Notes: 1. The recalculation does not apply to Group II (Police and Fire) members, who do not participate in Social Security. 2. The normal age of eligibility for Medicare is 65 regardless of when one begins receiving Social Security benefits, although some people may qualify for Medicare earlier due to a disability.



New Hampshire Retirement System
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Phone: (603) 410-3500 - Fax: (603) 410-3501
Website: www.nhrs.org - Email: info@nhrs.org

For Immediate Release: August 8, 2023

Contact: Marty Karlon, Director of Communications & Legislative Affairs, (603) 410-3594;
public_relations@nhrs.org

NHRS Annuitant Data Exposed by Third-party Vendor

*PBI is notifying retirees and beneficiaries impacted by MOVEit data breach by mail;
No NHRS computer system or networks were compromised*

CONCORD, NH – The New Hampshire Retirement System (NHRS) was recently notified of a cybersecurity incident involving one of our service providers, PBI Research Services (PBI). PBI provides audit and address research services for many types of companies, such as insurers, pension funds, and other such organizations.

PBI recently informed NHRS that an application it uses for data transfers, called MOVEit, contained a vulnerability that potentially enabled unauthorized individuals to access data handled using MOVEit.

Because PBI utilized MOVEit to handle NHRS data, PBI notified us, and we are alerting our annuitants about this incident. Because PBI provided audit research services to NHRS, PBI has data that includes the name, date of birth, zip code, and Social Security number of NHRS retirees and beneficiaries in receipt of a monthly benefit.

If an NHRS retiree or beneficiary was affected in this incident, that individual will receive a notification letter from PBI within the next few weeks. When PBI sends the notification letter to the affected NHRS retirees and beneficiaries, it will contain enrollment and contact information for those individuals to enroll in free credit monitoring and identity restoration services through Kroll, a leading provider of cyber security services. The letter will provide instructions on how to sign up for these services, along with a unique membership number. (Note: All letters will be dated August 3.)

Please note that this incident involved PBI's and MOVEit's systems, not NHRS' systems. No system or network of NHRS was compromised or otherwise impacted in this incident.

The MOVEit compromise has been widely reported in the news and has affected a large number of organizations in a wide variety of different industries, including other state pension plans. Since discovering this incident, MOVEit deployed a patch to eliminate the vulnerability.

If you receive a letter from PBI, NHRS strongly encourages you to enroll in the free credit and identity protection services offered. Eligible retirees and beneficiaries have until November 1, 2023, to enroll.

NHRS respects the privacy and security of all our retirees, beneficiaries, and community members. We therefore are taking this matter seriously. We regret that our service provider PBI was involved in the MOVEit incident and, again, strongly encourage you to enroll in the free credit and identity protection services if you receive a notification letter from PBI. Also, please feel free to contact NHRS at cyber-response@nhrs.org if you have any questions about this matter.

About NHRS

NHRS provides retirement, disability, and death benefits to its eligible members and their beneficiaries. The State of New Hampshire and more than local government employers participate in NHRS for their employees, teachers, firefighters, and police officers. NHRS has approximately 48,500 active members and 42,500 benefit recipients. NHRS administers a defined benefit plan qualified as a tax-exempt entity under sections 401(a) and 501(a) of the Internal Revenue Code.

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