



New Hampshire Retirement System  
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TO: Senator Sharon Carson, Chair, Senate Executive Departments & Administration Committee  
Representative Jeff Goley, Chair, House Executive Departments & Administration Committee

FROM: New Hampshire Retirement System Board of Trustees  
(Prepared by George P. Lagos, Executive Director)

RE: Quarterly Report to the General Court – January 1, 2020

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Dear Senator Carson and Representative Goley:

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, 2019:

- NHRS realized a 5.7% return on investments in the fiscal year ended June 30, 2019. The three-year, five-year, 10-year, 20-year, and 25-year returns for the periods ended June 30, 2019, were 9.3%, 6.4%, 9.9%, 5.9%, and 8.2%, respectively. All returns are net of fees. The retirement system's assumed rate of investment return is 7.25%.
- The trust fund stood at approximately \$9.208 billion as of June 30, 2019, an increase of \$333 million as compared to June 30, 2018.
- Trustees in December unanimously voted to initiate an actuarial experience study for the fiscal years 2016-19 period. This decision was based upon a recommendation by GRS Consulting, the retirement system's independent actuary. Under NH law, the Board must undertake an experience study at least every five years; it has been four years since the last study. Any recommended changes to actuarial assumptions from the study that are adopted by the Board will be applied to the June 30, 2019, actuarial valuation, which serves as the basis for the FY 2022-23 employer contribution rates.
- Trustees in December unanimously voted approve the reclassification of 52 Department of Corrections positions from Group I to Group II pursuant to HB 116, a 2019 bill that allowed the reclassification of positions which met the existing definition of "correctional line personnel." The reclassification is effective in January 2020.
- Staff in November released "NHRS *QuickPay*," an online bill pay service to facilitate the submission of employer contributions via ACH (Automated Clearing House) at no cost to participating employers. The goal is to provide employers with a secure and more efficient alternative to mailing paper checks.
- Staff in December released instructional materials and other information this fall regarding the annual reporting by participating employers of hours worked and compensation paid to NHRS retirees working in part-time capacities. The calendar-year reporting requirement contained in House Bill 561 (Chapter 293, Laws of 2018) takes effect January 1, 2020, and reporting is due no later than February 15, 2020.
- In November, staff issued an RFP New Hampshire legal counsel. The current agreement with McLane Middleton is expiring, and, as a best practice, the Board authorized the RFP.
- Trustees in November unanimously voted to select Foster Garvey law firm as investment legal counsel, subject to successful engagement negotiations. An RFP for investment counsel was issued in August.
- Trustees in December unanimously voted to select Citizens Bank as the retirement system's provider for commercial banking services, subject to successful engagement negotiations. An RFP for commercial banking services was issued in October.

- Trustees in December unanimously voted to accept the Comprehensive Annual Financial Report (CAFR) and Comprehensive Annual Investment Report (CAIR) for the fiscal year ended June 30, 2019.

In addition to this cover letter, the report contains:

- An executive summary of NHRS Board and staff activity from October through December.
- The minutes of the following Board meetings: October 8, 2019; November 12, 2019; December 10, 2019 (draft).
- Investment information on Total Fund through September 30, 2019, which is the most recent data available.
- Investment information on marketable assets through November 30, 2019, which is the most recent data available.
- An October 18, 2019, news release regarding FY 2019 investment returns.
- An “NHRS ... Now You Know” issue brief titled “Good governance is fundamental,” which was released in November.
- A December 23, 2019, news release regarding the actuarial experience study.
- A tracker of NHRS-related 2020 legislation.

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

Respectfully,



George P. Lagos  
Executive Director

cc: Office of Governor Christopher Sununu

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

**October 8, 2019, to December 10, 2019**

At the October 8, 2019, regular monthly meeting of the NHRS Board of Trustees, the Board unanimously voted to accept the recommendations of the Audit and Governance committees to approve the proposed revisions to the Actuarial Funding Policy, as presented. The revisions were based on recommendations made by Segal Consulting following its independent actuarial audit conducted earlier this year.

The Board heard a presentation by staff entitled “NHRS: Past, Present & Future,” which presented a chronology of significant developments impacting the retirement system over the past 50 years and an update on recent developments. The presentation was prepared for upcoming employer events in October and November.

The Board voted unanimously to approve the Calendar Year 2018 Gainful Occupation Compliance Report, as presented.

At the November 12, 2019, regular monthly meeting, the Board received a presentation from actuaries David Kausch and Heidi Barry of GRS Retirement Consulting, who provided an actuarial overview and a review of the FY 2019 GASB reports. Mr. Kausch noted that there were four important actuarial assumptions for the Board to reflect upon, including the assumed rate of return of 7.25%, the payroll growth factor, new mortality tables, and future contribution margins for the teachers’ medical subsidy benefits.

The Board unanimously voted to accept the recommendation of the Governance Committee that the Board select the Foster Garvey law firm as investment legal counsel, subject to successful engagement negotiations. An RFP for investment counsel was issued in August.

Trustee Maureen Kelliher, chair of the Independent Investment Committee (IIC), reported that the IIC did not hold its regular meeting in October, but did meet by conference call on October 22 to discuss the rapidly evolving situation regarding non-U.S. equity manager Fisher Investments stemming from recent comments made by founder Ken Fisher. At the October 22 meeting, Director of Investments Larry Johansen reviewed the recommendation from the retirement system’s investment consultant, NEPC, to terminate the manager, adding that the comments Mr. Fisher made were not consistent with the values held by the New Hampshire Retirement System. The IIC unanimously voted by roll call vote to terminate the system’s investment in the Fisher Investments core non-U.S. equity portfolio. The Committee instructed that the liquidated funds of

approximately \$250 million be divided evenly among the remaining developed market non-U.S. equity managers: Artisan Partners, Causeway Capital, LSV International Value, and Walter Scott.

At the December 10, 2019, regular monthly meeting, Trustees unanimously voted to initiate an actuarial experience study for the fiscal years 2016-19 period. This decision was based upon a recommendation by GRS Consulting, the retirement system's independent actuary. Any recommended changes to actuarial assumptions from the study that are adopted by the Board will be applied to the June 30, 2019, actuarial valuation, which serves as the basis for the FY 2022-23 employer contribution rates. The last experience study was undertaken in 2015. GRS Chief Actuary David Kausch, who called in to the meeting, told the Board that if the next experience study was performed next year, the impact of the experience study would not be reflected until the June 30, 2021, rate-setting valuation, six years after the last assumption changes took effect.

Trustees in December unanimously voted approve the reclassification of 52 Department of Corrections positions from Group I to Group II pursuant to House Bill 116, a 2019 bill that allowed the reclassification of positions which met the existing definition of "correctional line personnel." The reclassification is effective in January 2020.

The Board unanimously voted to accept the Comprehensive Annual Financial Report (CAFR) and Comprehensive Annual Investment Report (CAIR) for the fiscal year ended June 30, 2019.

The Board unanimously voted to accept the recommendation of the Governance Committee to select Citizens Bank for commercial banking services, subject to successful contractual negotiations. An RFP for commercial banking services was issued in October.

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*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](http://www.nhrs.org). The direct link to this page is: <https://www.nhrs.org/about-nhrs/board-of-trustees/meeting-minutes>*

**Note:** These minutes from the October 8, 2019 Public Session were approved and executed at the November 12, 2019 regular Board of Trustees meeting.

**Board of Trustees  
October 8, 2019  
Public Minutes**

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

*Present:* Trustees Richard Gustafson, Chairman; Bill Dwyer, Melvin Friese, Sue Hannan, Bill Hart, Maureen Kelliher, Tim Lesko, Bob Maloney, Scott Myers, Don Roy, and George Walker. *Absent:* Trustees Benjamin Jean and Christopher Coates.

*Staff:* George Lagos, *Executive Director*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Larry Johansen, *Director of Investments*; Gerard Murphy, *Director of Finance*; Mark Cavanaugh, Esq., *Associate Counsel & Compliance Officer*; Diana Crichton, Esq., *Hearings Examiner*; Frank Clough, *Director of Information Technology*; Nancy Cone, *Internal Auditor*; Nancy Miller, *Director of Member Services*; Marty Karlon, *Public Information Officer*; Nina Calkins, *Process Improvement Manager*; Rosamond Cain, *Human Resources Manager*; Cecile Merrill, *Project Manager*; and Margaret Astles, *Executive Assistant*.

Chair Gustafson called the October 8, 2019 regular meeting of the NHRS Board of Trustees to order at 10:00 a.m. Having established a quorum, Chair Gustafson called for a motion on the September 10, 2019 meeting minutes. On a motion by Trustee Myers, seconded by Trustee Roy, the Board voted to approve the public minutes of the September 10, 2019 meeting, as amended. Trustee Hannan abstained.

Trustee Dwyer presented a report on the Audit Committee meeting immediately prior to the Board meeting. He reviewed the Audit Issues Tracker as of October 1, 2019, noting that there are five outstanding issues. Trustee Dwyer updated the Board on the Data Security Remediation process, noting that the high and medium priority items are 82% complete, and 74% complete on the low-priority items. He noted that Plante Moran would be onsite for the next three weeks, as part of the FY 2019 CAFR audit, and expects that the Audit Committee will be able to approve the audit by year-end and present it to the full Board.

Mr. Dwyer then reviewed the recommendation regarding the NHRS Actuarial Funding Policy made by Segal Consulting, following its actuarial audit of GRS. On a motion by Trustee Dwyer, seconded by Trustee Roy, the Board unanimously voted to accept the recommendations of the Audit and Governance committees to approve the proposed revisions to the Actuarial Funding Policy, as presented.

Lastly, Trustee Dwyer reported that the Audit Committee voted to approve the Annual Code of Ethics Report Card, noting that a 99% response was achieved from all managers and service providers, current and former Trustees and IIC members, and current and former employees. He noted that no conflicts of interest were self-reported. On a motion by Trustee Maloney, seconded by Trustee Hannan, the Board voted unanimously to accept the

recommendation of the Audit Committee to approve the annual ethics survey scorecard, as presented.

Trustee Roy presented the Governance Committee report from the July 29, 2019 meeting, stating that the Committee conducted its annual Charter review and concluded that no substantive changes should be made. Next, the Committee heard and accepted the recommendation from the *Director of Finance* Gerard Murphy, regarding the proposed Actuarial Funding Policy revision that the Board acted on at today's meeting. Mr. Murphy also addressed the Committee on the proposed RFP for commercial banking services, and the Committee unanimously voted to recommend to the full Board that it approve the RFP, as scheduled at a later point in today's Board meeting.

Attorney Mark Cavanaugh, *Associate Counsel and Compliance Officer*, addressed the Board on the annual OFAC (Office of Foreign Asset Control) compliance review, noting that OFAC is a branch of the Federal Treasury Department that administers the prohibition of certain financial transactions of sanctioned countries and individuals. He noted that NHRS has a compliance policy in place that requires that our vendors are OFAC compliant. In addition, NHRS staff certified that it was not aware of any violations, and that it administered the policy in accordance with its terms. Lastly, Mr. Cavanaugh noted that there have been no violations in the past five years, since NHRS began the annual OFAC process.

Lastly, Trustee Roy deferred to *Executive Director* George Lagos to report on paperless board meetings. Mr. Lagos explained that this Friday, *Director of IT* Frank Clough would be giving a second internal demonstration on the proposed electronic Board binder. Following the demonstration, the plan is to initiate a pilot program with some of the Trustees.

Trustee Kelliher presented the Investment update, recapping the September 20, 2019 Independent Investment Committee (IIC) meeting. She noted that the IIC heard a presentation from fixed income manager IR&M in conjunction with the two-year contract renewal process. Then, the System's investment consultant, NEPC, presented a review of the NHRS Public Markets portfolio. The IIC agreed to forego a meeting in October, but will reconvene at the November 22, 2019 meeting.

Larry Johansen, *Director of Investments*, reported that the books for June 30 were closed last week. BNY Mellon is working to finalize its books as of June 30. Once that is complete, NEPC will finalize the June 30 performance and NHRS expects to have those numbers early next week. The private equity and real estate programs continue to grow and are doing well. Mr. Johansen noted that he expects that the preliminary performance indicated at 5.1% will end up being approximately 5.7% and the 3- and 5-year numbers should be in the top 30% of NHRS's peer pension systems. The rebalancing of the fixed income portfolio is proceeding as planned, with the second \$90 million from Loomis Sayles being received last month and then moved to IR&M. The \$90 million from Brandywine is expected to move in December. The draft Comprehensive Annual Investment report is well underway, and will be sent out to the IIC late next week for review and comment.

Trustee Myers reported on the morning's Legislative Committee meeting, noting there are ten Legislative Service Requests (LSRs) that are specific to NHRS, thus far. The titles of the LSRs are posted online, but the language of each is not available. Mr. Lagos explained that some of the LSRs are beginning to come in from the Legislative Budget Assistant Office, but the text of each is confidential and does not become public information until an LSR is actually introduced and assigned a bill number.

Trustee Walker reported that the Benefits Committee did not meet this month, but a meeting will be held before the November Board meeting. He asked Attorney Cavanaugh to provide the annual Gainful Occupation (GO) Compliance Report, noting that the report summarizes the employment activities of disability recipients, based on responses received to date. Mr. Cavanaugh noted that the number of non-compliant people has increased compared to last year, but follow-up letters will be going out on October 15, which would likely result in the reduction of that number. In addition, the average annual offset is down because of the three people with the highest incomes have not reported yet. As part of the annual GO Report, staff recommended that the Board approve the following actions.

1. Per the GO provisions in RSA 100-A:6, III(b), offset the State annuity and related Cost-of-Living Allowance of those disability recipients who earned more than the difference between the retirement allowance payable and the “current comparable compensation.” Recommended offsets, due to excess 2018 earnings, are scheduled to begin with benefits paid on January 30, 2020.
2. Withhold the State annuity and related Cost-of-Living Allowance of those disability recipients who have not provided all pertinent documents, as required by NHRS Administrative Rule Ret. 309.01, and to take whatever administrative actions are appropriate when the requested documentation is received. The withholding for failing to comply with reporting requirements are scheduled to begin with benefits paid on December 31, 2019, and to continue until all requested documentation has been submitted and processed.

On a motion by Trustee Walker, seconded by Trustee Dwyer, the Board voted unanimously to approve the Calendar Year 2018 Gainful Occupation Compliance Report, as presented.

Trustee Hart reported on the PPCC meeting held on October 4, 2019, noting that the review of the succession plan resulted in no material changes. The Committee reviewed the earlier engagement of a training coach to assist newly hired managers, noting that it is proceeding well, and progress is being monitored on an ongoing basis. He then noted that following the meeting, there was a discussion about the pending CBA negotiations.

On a motion by Trustee Hart, seconded by Trustee Lesko, the Board voted unanimously to temporarily adjourn the meeting for the purpose of discussing collective bargaining strategy or negotiations, under RSA 91-A:2, I(a).

On a motion by Trustee Hart, seconded by Trustee Maloney, the Board voted unanimously to reconvene the Board meeting.

George Lagos, *Executive Director* and Marty Karlon, *Public Information Officer*, presented to the Board “NHRS: Past, Present & Future,” a chronology of significant developments impacting the pension system over the past fifty years and an update on recent developments. The presentation was well received and it was suggested that it be posted to the website.

Executive Director Lagos gave a brief operations update, noting that the Key Performance Measures were 98.8% this month, exceeding the 95% standard for the eleventh consecutive month. Over 66,000 member statements were generated in September, in accordance with the usual schedule. Several NHRS representatives attended the LRS conference in September, and the PGV3 project continues to progress on schedule. Responses to the

Investment Legal Services RFP were reviewed and staff will be making a recommendation at the Governance Committee meeting, following the conclusion of today's Board meeting.

Mr. Lagos then turned the Board's attention to the NHRS website update, a sole-source contract proposal to improve the System's ADA compliance on the site, and to upgrade member, retiree, and employer home pages to better promote and display the new content that NHRS has developed since the site was created. On a motion by Trustee Roy, seconded by Trustee Hannan, the Board voted unanimously to accept the recommendation of the Executive Director that the Board approve the website upgrade, subject to contract and legal review, as presented.

Cecile Merrill, *Project Manager*, reported that the PGV3 project is 7% complete. Two design documents have not been signed off due to out-of-scope requirements that were added. PGV3 received its final data conversion report for Deliverable 1, with 31 issues listed. Staff has been asked by LRS to address the list by December 31, 2019. Ms. Merrill reported that the PGV3 team is still working on correspondences for Deliverable 1, and the internal employer-working group has a draft communication action plan in place. User acceptance testing starts the first week in November through mid-December 2019. LRS will be on site the first week in November to address further out-of-scope requirements. Mr. Lagos added that we are on schedule with the PGV3 project and all is progressing well.

Tim Crutchfield, *Chief Legal Counsel*, reported that Legal is currently working on issues related to retirees returning to work. With the start of 2020, Attorney Cavanaugh will be receiving newly required employer reports for working retirees. The grandfathered retirees returning to work have an annual limit of 1,664 hours and retirees who retired on or after January 1, 2019 have an annual limit of 1,352 hours. Employers must report the total number of hours worked by their retirees by February 15, 2020. Mr. Crutchfield explained that Legal often reviews settlement agreements as well, in collaboration with Member Services. Lastly, Mr. Crutchfield noted that, a joint employer education session with PIO and Finance would be held on October 23, 2019, for school district and SAU employers.

Gerard Murphy, *Director of Finance*, reviewed the ending balances of the cash flow report and budget vs. actual figures. He noted that Plante Moran will be onsite for the next three weeks and he hopes to have the books closed by the end of this week or early next. He noted that Finance is on track to have a draft year-end Comprehensive Annual Financial Report by the end of October, with the final report to the Board, for the December Board meeting. Mr. Murphy noted that GRS has all of the data extracts needed to conduct its actuarial analysis, as well. He stated that he and staff recently attended a Tyler Technology user group meeting, noting that Tyler, a third-party-payroll provider is used by many of NHRS' employers. At that meeting, NHRS staff provided an online demonstration of the System's new, online payment website, which was well received. The online payment program is being piloted this month by a small group of participating employers. He noted that NHRS has already successfully received payments utilizing the online payment site.

Mr. Murphy then turned the Board's attention to the FY 2019 Call Fire Report, which is an annual report on the financial activity regarding a benefit program previously provided under 100-A for call and volunteer firefighters who were disabled or killed in the line of duty. This benefit program was repealed in 2014; however, there are still two beneficiaries collecting benefits.

Mr. Murphy then reported on the RFP for commercial banking services, online payment services and annuity payroll processing. He noted that NHRS is currently serviced by



Citizens Bank. The decision to issue an RFP is in accordance with best practices in order to ensure the best combination of value and service. On a motion by Trustee Hart, seconded by Trustee Roy, the Board voted unanimously to accept the recommendation of the Governance Committee to approve the issuance of an RFP for commercial banking services.

Frank Clough, *Director of IT*, reported on vulnerability and pen-testing work with Rhino Networks that is scheduled for the first week in November. This includes a series of processes and procedures to scan our network, PCs, and printers, looking for vulnerabilities, misconfigurations or any red flags. Issues identified will be remediated, and Rhino will then return to validate that the changes were made.

This summer a dual-authentication pilot project utilizing finger print readers proved unsuccessful and staff is now looking at alternative approaches. Lastly, Mr. Clough reported that for a number of years, NHRS has worked with Systems Engineering to utilize a COLO space, where all of our back-up hardware and software is housed. We have since made the decision to contract directly with Tierpoint, the owner of the COLO facility, resulting in considerable cost savings. The physical transition will take place this month.

Nancy Miller, *Director of Member Services*, reported that Members Services is now fully staffed, and the focus is on training all of the new staff and those staff that have transferred to other areas. She noted that Member Services is continuing to move the July retirees through to their final benefits, soliciting and reviewing the employer termination forms, and re-auditing each retiree's file to assure the inclusion of all wages, settlements and payouts.

On a motion by Trustee Roy, seconded by Trustee Hannan, the Board voted unanimously to approve the Consent Agenda, as presented.

Concerning the Action Items from the September 10, 2019 Board meeting, Mr. Lagos noted that the target date has been moved back for the pilot project for paperless Board meetings. In addition, he noted that the NHRS is still waiting for the anticipated Dept. of Corrections (DOC) list of proposed reclassifications from Group I positions to Group II.

Under Board Checkpoint Discussion, Chair Gustafson advised that he had appointed Trustee Benjamin Jean to the Legislative and PPCC Committees.

Mr. Lagos reported that a conference call would be held concerning GRS' schedule for completion of the FY 2019 actuarial valuation. Once the draft valuation is finalized and accepted by the Board, it will be the basis for setting employer contribution rates in the fall of 2020. Mr. Johansen added that the upcoming valuation is also the first where the 20 year layered-amortization approach will be implemented. He further noted that the valuation would be impacted by the funding required in connection with the recent legislative COLA grant and actuarial gains or losses.

With no further business to discuss, on a motion by Trustee Walker, seconded by Trustee Hart, the Board voted unanimously to adjourn the meeting.

Respectfully submitted,

Margaret M. Astles  
Executive Assistant

NHRS Board of Trustees  
Minutes

**Note:** These minutes from the November 12, 2019 Public Session were approved and executed at the December 10, 2019 regular meeting of the Board of Trustees.

**Board of Trustees  
November 12, 2019  
Public Minutes**

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

*Trustees:* Richard Gustafson, Chairman; Bill Dwyer, Melvin Friese, Sue Hannan, Bill Hart, Benjamin Jean, Maureen Kelliher, Tim Lesko, Bob Maloney, Scott Myers, Don Roy, George Walker, and Christopher Coates (via telephone, as it was not practicable for him to attend due to work commitments).

*Staff:* George Lagos, *Executive Director*; Frank Clough, *Director of Information Technology*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Larry Johansen, *Director of Investments*; Nancy Miller, *Director of Member Services*; Gerard Murphy, *Director of Finance*; Mark Cavanaugh, Esq., *Associate Counsel & Compliance Officer*; Diana Crichton, Esq., *Hearings Examiner*; Marty Karlon, *Public Information Officer*; Nancy Cone, *Internal Auditor*; Nina Calkins, *Process Improvement Manager*; Rosamond Cain, *Human Resources Manager*; Cecile Merrill, *Project Manager*; and Margaret Astles, *Executive Assistant*.

Chair Richard Gustafson called the November 12, 2019 meeting of the NHRS Board of Trustees to order at 10:00 a.m. Having established a quorum, Chair Gustafson called for a motion to approve the October 8, 2019 public Board of Trustees meeting minutes, as amended. On a motion by Trustee Roy, seconded by Trustee Myers, the Board voted to approve the October 8, 2019 minutes, as amended, upon a roll call vote. *Abstaining:* Trustee Jean.

Trustee Dwyer presented the Audit Committee update, recapping that morning's meeting. He began with the Audit Tracker, noting that of the five audit issues remaining, four are scheduled to be completed by the end of December. The Internal Auditor will be adding one audit to the December tracker for employer-audit record adjustments, involving both Legal and Member Services. Mr. Dwyer noted that the Audit Committee continues to track the progress with addressing data security remediation measures, as well as internal control opportunities with Plante Moran.

Trustee Dwyer reported that three of the high-priority data remediation items would be completed within the next 90 days and the remaining two would be completed with the conversion to PGV3. The medium-level security enhancements are complete and two of the low-security enhancements would be complete within 90 days, leaving five of those enhancements to be completed during the conversion to PGV3.

Lastly, Trustee Dwyer noted that once again, as part of the CAFR Audit, Plante Moran would be providing management with its efficiency and internal control recommendations.

Trustee Don Roy reported that the Governance Committee met on October 8, 2019, to evaluate responses to the RFP for investment counsel, and recommending to the full Board

the approval of the Foster Garvey law firm. The Committee also recommended to the full Board the approval of the issuance of an RFP for New Hampshire counsel.

On a motion by Trustee Hannan, seconded by Trustee Hart, the Board unanimously voted to accept the recommendation of the Governance Committee that the Board select Foster Garvey law firm as investment legal counsel, subject to successful engagement negotiations, on a roll call vote.

On a motion by Trustee Dwyer, seconded by Trustee Roy, the Board unanimously voted to accept the recommendation of the Governance Committee to approve the issuance of an RFP for New Hampshire counsel, on a roll call vote.

Lastly, in reply to a Board member's question, IT Director Frank Clough reported on the paperless board meeting topic, noting that the iPads have been ordered and testing would begin as soon as they arrive.

Trustee Kelliher reported that the Independent Investment Committee (IIC) did not hold its regular meeting in October, but would hold its regularly scheduled meeting on November 22, 2019. However, the IIC had met by conference call on October 22, 2019, to discuss the rapidly-evolving situation regarding non-U.S. equity manager, Fisher Investments. At that meeting, Director of Investments Larry Johansen reviewed NEPC's recommendation to terminate the manager, adding that the comments Mr. Fisher made were not consistent with the values held by the New Hampshire Retirement System. The Committee unanimously voted by roll call vote to terminate the System's investment in Fisher Investments' core, non-U.S. equity portfolio. The Committee instructed that the liquidated funds of approximately \$250 million be divided evenly among the remaining developed market, non-U.S. equity managers: Artisan Partners, Causeway Capital, LSV International Value, and Walter Scott. The motion carried unanimously.

Trustee Kelliher reported that the economy and the markets over the last several weeks were surprised by the economic rebounds that have occurred from the summer, but there remains real concern that there could be a recession sometime in 2020. Although the manufacturing sector remains weak and under pressure because of the global manufacturing slowdown, the U.S. service sector remains very resilient, as reflected in the most recent jobs report, showing an increase in job creation in the past three months. In turn, investors are seeing better equity market returns and better yields in the bond market.

Director of Investments Larry Johansen reported that short-term investment performance has been somewhat lackluster through September 30, 2019, due to small and mid-cap domestic equity underperforming the S&P 500, but longer term, peer performance for 3 years puts NHRS in the top 31%, peer performance at 5 years is in the top 22%, and at 10 years is in the top 13%. Asset allocation is well within range, and non-U.S. equity and alternatives are on target.

Mr. Johansen reported that at the next IIC meeting on November 22, 2019, the draft Comprehensive Annual Investment Report (CAIR) for fiscal year ending June 30, 2019 would be discussed, and if the IIC recommends approval, the Board of Trustees would be asked to take action to approve the CAIR at the December 10, 2019 meeting.

Trustee Myers gave his Legislative report, noting that the Committee did not meet in October. He stated that the 2020 NHRS-related LSRs have been filed in the House, and

there may be some NHRS-related Senate bills yet to be filed. Public Information Officer Marty Karlon added that the Board has the most recent LSR list, as of November 8, 2019.

Trustee Walker reported that the Benefits Committee met on November 8, and prior to the official start of the meeting, a non-meeting under RSA 91:A was called to consult with external legal counsel on an ongoing difference of opinion between NHRS staff and the Dept. of Administrative Services, relating to the administration of medical subsidy benefit. The consultation was to discuss whether the subsidy should be applied before, or after, the contributions required of Medicare eligible state retirees. After consulting with external counsel in a non-meeting, the regular meeting officially began.

Trustee Walker noted that the Benefits Committee addressed the request of the Dept. of Corrections (DOC) to reclassify 52 positions from Group I to Group II, pursuant to recently passed HB 116. The Committee unanimously voted to recommend to the full Board to approve the reclassification for all 52 positions, and that item would be presented at the upcoming December 10 Board meeting.

The Benefits Committee then reviewed a proposed revision to the Recoupment Policy, which was in response to a recently completed internal audit that suggested the Committee amend the Policy to memorialize the process for administering medical subsidy adjustments for state retirees. The Benefits Committee voted unanimously to recommend to the full Board that it adopt the proposed revision, and that item would also be presented at the December 10 meeting.

The Benefits Committee received an update on the number of current beneficiaries that receive monthly paper benefit checks and whether NHRS should consider making electronic deposits mandatory. The Committee recommended that staff maintain the current process of only providing paper checks for new retirees who specifically ask for them. Finance Director Gerard Murphy added that about 1,200 retirees receive paper checks per month, while the number of beneficiaries receiving their monthly pension benefits by electronic deposit is approximately 37,000.

Lastly, the Committee reviewed an annual hardship case in non-public session.

Trustee Hart reported that the Personnel, Performance, and Compensation Committee did not meet in October. He recommended a temporary adjournment to discuss collective bargaining. On a motion by Trustee Hart, seconded by Trustee Hannan, the Board unanimously voted to temporarily adjourn the meeting for the purpose of discussing collective bargaining strategy or negotiations, under RSA 91-A:2, I(a), on a roll call vote.

On a motion by Trustee Hart, seconded by Trustee Dwyer, the Board unanimously voted to reconvene the Board meeting, on a roll call vote.

David Kausch and Heidi Barry of GRS Retirement Consulting presented the Board with an overview of the FY 2019 GASB reports and an actuarial overview. The presentation provided an explanation of the difference between the GASB reports and the upcoming FY 2019 valuation report, which would come before the Board in the near future. Mr. Kausch indicated that the recommendations, which Segal Consulting put forward in the actuarial audit conducted earlier in the year, would be incorporated into the valuation report. He also pointed out that there were four actuarial assumptions for the Board to reflect upon, including the assumed rate of return of 7.25%, the payroll growth factor, mortality tables, and future contribution margins for the teachers' medical subsidy benefits.

Executive Director George Lagos provided his operating report, beginning with Key Performance Measures that scored 96.74% this month, once again exceeding the 95.00% target. He turned the Board's attention to the NHRS Member Satisfaction Survey Summary report, noting that NHRS consistently receives positive ratings from its members and retirees, particularly with respect to face-to-face interactions. He noted that management was reviewing the approach utilized for call management and that a consultant had been engaged to provide further insights on how efficiencies may be improved in that area.

Mr. Lagos presented a recommendation to approve a contract to replace IT switches. On a motion by Trustee Hart, seconded by Trustee Lesko, the Board unanimously voted to accept the recommendation of the Executive Director that the Board approve the proposed IT hardware purchase subject to contract and legal review, as presented, on a roll call vote.

Lastly, Mr. Lagos informed the Board that on November 18, 2019 he would be participating on a panel at the annual BIA Leadership conference discussing the retirement system, along with Barbara Reid from NHMA and Senator Jeb Bradley. He also noted that NHRS would be represented at a booth at the annual NHMA convention later this week.

Project Manager Cecile Merrill provided a PGV3 update, noting that the PGV3 conversion project is now 10% complete. LRS was on site last week to train staff on test cases for the first Deliverable. There are 27 test cases and 471 scenarios that must be tested by December 11, 2019. LRS will be on site next week, meeting with staff to review proposed out-of-scope requirements, and coming from that meeting, there would be developing-related cost estimates. Ms. Merrill noted that LRS continues to review the System's data and identify which issues need attention, prior to transitioning to Version 3.

Chief Legal Counsel Tim Crutchfield reported that the Hearings Examiner continues to do a very good job on case management with Administrative Appeals. Mr. Crutchfield noted that NHRS replaced two of its three employer auditors over the summer, and over the past month, the new auditors issued their first audit reports.

He also noted that an appeal was recently filed with the NH Supreme Court in an administrative matter relating to mandatory enrollment and pension recoupment. This is a discretionary appeal, meaning the Supreme Court may or may not accept the case.

Finance Director Gerard Murphy began by noting that the format of the Finance Reporting package is now back to standard format, with the closing of the books on the 2019 fiscal year. NHRS's net position is still above \$9 billion. Mr. Murphy stated that NHRS is in a good position with the unaudited CAFR and the completed draft has been delivered to Plante Moran, who will provide its comments sometime this week. Staff expects to present the CAFR to the Audit Committee in December, and to seek action to approve the CAFR by the full Board at its December meeting.

Lastly, Mr. Murphy reported that the limited roll-out of NHRS *QuickPay*, the ACH online payment program, went well, with no substantive issues reported. This capability has now been made available to all NHRS participating employers.

Director of IT Frank Clough turned the Board's attention to a new feature in his report, Daily Metrics, a high-level overview showing scores based on NHRS IT responsiveness to Tyler Technologies security-related inquiries. This report replaces the one previously provided by SE EventWatch.

Mr. Clough noted that penetration testing is complete and a report is expected within the next few weeks. The contract for multifactor authentication capability is under legal review. Lastly, the COLO hardware has been repositioned at the off-site facility following a change in providers. Testing is underway to make sure the COLO and hardware are in good working order after the move.

Ms. Nancy Miller, Director of Member Services, reported that finalizing July retirements continue to be a large focus. The Member Services team was able to process 90% of all the employer termination forms by the end of October, however there are still employers that have not complied by returning the requisite termination forms.

PGV3 User Acceptance Testing is now underway, requiring the participation of a number of Member Services staff.

On a motion by Trustee Roy, seconded by Trustee Hannan, the Board unanimously voted to approve the Consent Agenda, as presented, on a roll call vote.

Under Action Items, Executive Director Lagos noted that staff is expecting delivery of the hardware required to implement the pilot project for the paperless Board meetings and hopes to have a pilot demonstration for the Board at the December 10 meeting.

Under Board checkpoint discussion, Chair Gustafson noted that the vote to accept the CAIR and the CAFR is scheduled for the December meeting.

With no further business to discuss, on a motion by Trustee Dwyer, seconded by Trustee Hart, the Board unanimously voted to adjourn the meeting, on a roll call vote.

Respectfully submitted,

Margaret M. Astles  
Executive Assistant

**Note:** These minutes from the December 10, 2019 Public Session are subject to approval at a subsequent meeting of the Board of Trustees.

**Board of Trustees  
December 10, 2019  
DRAFT Public Minutes**

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

*Present:* Trustees Richard Gustafson, Chairman; Bill Dwyer, Melvin Friese, Sue Hannan, Bill Hart, Ben Jean, Maureen Kelliher, Tim Lesko, Bob Maloney, Scott Myers, Don Roy, and George Walker. *Absent:* Trustee Christopher Coates.

*Staff:* George Lagos, *Executive Director*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Larry Johansen, *Director of Investments*; Gerard Murphy, *Director of Finance*; Mark Cavanaugh, Esq., *Associate Counsel & Compliance Officer*; Diana Crichton, Esq., *Hearings Examiner*; Frank Clough, *Director of Information Technology*; Nancy Cone, *Internal Auditor*; Nancy Miller, *Director of Member Services*; Marty Karlon, *Public Information Officer*; Nina Calkins, *Process Improvement Manager*; Rosamond Cain, *Human Resources Manager*; Cecile Merrill, *Project Manager*; and Margaret Astles, *Executive Assistant*.

Chair Gustafson called the December 10, 2019 regular meeting of the NHRS Board of Trustees to order at 10:30 a.m. Having established a quorum, Chair Gustafson called for a motion on the November 12, 2019 meeting minutes. On a motion by Trustee Roy, seconded by Trustee Hannan, the Board unanimously voted to approve the public minutes of the November 12, 2019 meeting, as presented.

Trustee Dwyer presented a report on the completed FY 2019 CAFR, noting that our external auditor, Plante Moran did generate an unmodified opinion, which indicates the desired outcome that the financial statements fairly and accurately represent the financial condition and operations of the Retirement System. Trustee Dwyer then advised that Plante Moran had presented its Report on Internal Control over Financial Reporting, with a finding of a Significant Deficiency in terms of controls and communications related to the census data that NHRS provides to the NHRS actuary in order to determine the accrued pension liabilities associated with vested deferred members. The Pension Gold data extract for this demographic group applies a discount to the retirement benefit on the assumption that each member elects early retirement once eligible, rather than awaiting normal retirement age to begin receiving a pension benefit. As a result, the total pension liability was understated for approximately 1,200 of the 2,400 deferred vested members by an estimated \$15 million, representing 0.3 percent of the net pension liability or approximately 0.1 percent of total pension liabilities. Both parties agreed that this is an immaterial amount so no adjusting entry was necessary and management is addressing this deficiency. Plante Moran expressed significant satisfaction with the work of the Retirement System, speaking highly of the collaboration and communication that is occurring between Plante Moran, NHRS management, the Audit Committee, and NHRS staff.

Director of Finance Gerard Murphy began his presentation on the Comprehensive Annual Financial Report (CAFR) by thanking Assistant Director of Finance & Controller Heather Fritzky and the Finance staff for their hard work on the FY 2019 CAFR, and he expressed gratitude for Plante Moran's thoroughness and professionalism.

Mr. Murphy provided the Board with an overview of the CAFR, noting that it is a financial snapshot of the Retirement System as of 6/30/19. He commented on the 5.7% return on investments for FY 2019, the net position at the close of the fiscal year of \$9,207.6 billion, which was an increase of approximately \$333.4 million over the prior fiscal year, and an all-time high for the plan. Mr. Murphy also noted that at 6/30/19, the statutory funded ratio of the pension plan was 64.8%, up from 63.6% last year. On a motion by Trustee Dwyer, seconded by Trustee Jean, the Board unanimously voted to accept the recommendation of the Audit Committee to approve the Comprehensive Annual Financial Report for Fiscal Year 2019.

Trustee Roy reported that the Governance Committee, which last met on December 6th. He noted that the Committee unanimously voted to recommend to the full Board that it approve the annual revisions to the Governance Manual with staff recommending the removal of certain operational and administrative-related policies, and to only include those Board policies related to plan governance.

At the meeting, Mr. Murphy reviewed staff's evaluation of responses to the commercial banking services RFP. The Committee unanimously voted to recommend to the full Board that it select Citizens Bank to provide commercial banking services, online payment services, and payroll-processing services as presented, subject to contract negotiations. The decision was based on staff's assessment of value, content of commercial banking products, and services offered, and historical satisfaction with the quality and timeliness of the bank's service over time. On a motion by Trustee Roy, seconded by Trustee Myers, the Board unanimously voted to accept the recommendation of the Governance Committee that the Board select Citizens Bank for commercial banking services, subject to successful contractual negotiations.

Chief Legal Counsel Tim Crutchfield then gave an update on the renewal of fiduciary insurance coverage, noting that NHRS received confirmation from its insurance broker that, in accordance with the two-year rate lock, which was negotiated last year, the coverage had been renewed with the same terms, conditions and pricing with Hudson Insurance, as of January 15, 2020.

The Board was then provided an update on paperless Board meetings and the electronic Board book by Trustees Lesko and Maloney, who volunteered to test the pilot program. Trustee Lesko commented that he was very pleased with the iPad, the software and its features, noting it is very intuitive to use, in a very secure environment. Trustee Maloney commented that the iPad is very easy to use, the screen was very large and that the Board materials are easily found. Mr. Lagos noted that the Board will be given an update at the next meeting on the timeline for going live with the electronic Board books for all Trustees. Chair Gustafson thanked Trustees Lesko and Maloney for taking on the task of testing the pilot program.

Trustee Maureen Kelliher reported that the Independent Investment Committee (IIC) last met on November 22, 2019. The IIC approved its 2020 meeting schedule. The Committee then voted to renew the Investment Management Agreement with core fixed income manager IR&M through October 31, 2021. Next, the IIC discussed Commission Sharing



Agreements, which will be an ongoing topic for the Committee. The IIC reviewed and unanimously approved its revised Charter. The Committee discussed and unanimously approved the Comprehensive Annual Investment Report (CAIR) for FY 2019 for submission for approval to the Board today. Lastly, NEPC presented a very comprehensive educational overview of Private Markets Commitments and exposure.

Director of Investments Larry Johansen suggested that the Board pay particular attention to three sections in the CAIR for fiscal year ending 6/30/19. The transmittal letter summarizes the activities of the IIC for the year; the NEPC letter provides an overview of the investment program, and; the letter from GRS, which is a requirement of RSA 100-A, offers their opinion that our assumed rate of return, currently 7.25%, is a reasonable assumption for NHRS to use. On a motion by Trustee Roy, seconded by Trustee Hart, the Board unanimously voted to approve and accept the CAIR for FY 2019, as prepared and approved by the IIC.

Lastly, Trustee Kelliher added that market conditions are good as we come to the end of the year, even with the tumultuous trade negotiations in the news. She noted that some of the country's last economic releases have been very positive, particular last week's jobs report, and as we move into 2020, there is no recession in sight.

Mr. Johansen invited the Board members to attend the IIC meeting next week, as the IIC will have the semi-annual review of the real estate portfolio, the annual review of private equity private-debt portfolio, and the investment pacing will be set for commitments in 2020. Looking toward January 2020, NEPC will be presenting its capital market assumptions, which are likely to be less optimistic than in 2018.

Trustee Myers reported that the Legislative Committee did not meet last month, but noted that the NHRS-related 2020 LSRs in the Board packet are the most recent. A Legislative Committee meeting will be scheduled for early January. Public Information Officer Marty Karlon updated the Board by sending them the recent tracker included ten 2020 NHRS-related LSRs that now have bill numbers assigned to them so their text is now available.

Trustee Walker reported that the Benefits Committee did not meet this month, but the Committee has two issues before the Board today. Mr. Walker indicated that on November 8, 2019, the Committee unanimously voted to recommend to the Board that it adopt a proposed revision to the Recoupment Policy with respect to the administration of medical subsidy benefits for State employees. On a motion by Trustee Roy, seconded by Trustee Lesko, the Board unanimously voted to adopt the proposed revisions to the Recoupment Policy, as presented.

Secondly, Trustee Walker reported that at the same meeting, the Committee considered the request from the Department of Corrections (DOC) regarding the reclassification of 52 positions from Group I to Group II pursuant to recently passed HB 116, and voted unanimously to recommend that the Board approve the reclassification for all 52 positions. On a motion by Trustee Roy, seconded by Trustee Myers, the Board voted to approve the prospective reclassification of all 52 DOC positions pursuant to HB 116, effective upon payroll implementation from the Department of Administrative Services (DAS), as presented.

A friendly amendment was offered by Trustee Walker, seconded by Trustee Dwyer, to clarify that the reclassification change will take effect in the month of January 2020, upon receipt

of the necessary enrollment forms from the DOC and the proper contribution deductions from the DAS.

Director of Member Services Nancy Miller added that in order to ensure that a full month's service credit is applied for all of the individuals changing their status, enrollment forms should indicate an effective date of January 3, 2020 and be submitted to NHRS as soon as possible.

Chair Gustafson called for a vote on the main motion and the friendly amendment with the Board voting unanimously in favor, with the exception of an abstention by Trustee Jean.

Trustee Hart reported on the activities of the Personnel Performance and Compensation Committee, noting that it met on December 2, 2019, and received an update from HR Manager Rosamond Cain on the Management Coaching program, which is going well. The Committee reviewed the process for the annual evaluation of the Executive Director, and all Trustees will be provided with the performance appraisal at the January 13 meeting, to be returned to the Executive Assistant by January 24. He noted that this performance evaluation would not be a compensation review, as that will be done in June. After adjournment of the meeting, the Committee members reviewed the status of the CBA negotiations. A fact-finding session was held on December 4 and the report is anticipated in mid to late January.

Executive Director George Lagos reported that the Key Performance results once again exceeded the 95.00% target. He then reported on Operations, noting that we have exchanged memoranda with DAS and the AG's office with respect to our respective views on how medical subsidy should be applied to Medicare-eligible state retirees who are required to contribute to the cost of their retiree medical insurance coverage. NHRS is of the opinion that this issue would be best dealt with through clarifying legislation.

Project Manager Cecile Merrill gave an update on the status of the PGM3 project, noting that LRS will be on site next week to review in-scope requirements for Deliverable 2 (Employer Reporting). LRS has provided estimates with respect to nine change requests for out-of-scope requirements. If all are approved, 5 to 6 weeks would be added to the project timeline at a cost of approximately \$177,000. Executive Director Lagos and Ms. Merrill will be meeting with the teams this week to make sure these are requirements that are, in fact, still desired and necessary. LRS has added 7 new data conversion issues to the 71 that have already been identified, and of which 42 have been resolved. Lastly, she noted that User Acceptance Testing for Deliverable 1 is now 97% complete.

Chair Gustafson called for the Finance Report to be taken out of order to accommodate the GRS recommendation, which was on the agenda for discussion.

David Kausch, of GRS Retirement Consulting, called into the meeting to review his previously provided written recommendation with regard to initiating an experience study in conjunction with the FY 2019 Actuarial Valuation. He explained that the statute requires an experience study at least once every five years, meaning that the next experience study would have to be done no later than June 30, 2020. Rate-setting valuations occur every two years in odd years. If the experience study is performed on the current five-year schedule, the impact of the experience study through 2020 would not be reflected until the June 30, 2021 rate-setting valuation, six years after the last assumption change was reflected. GRS suggested that the experience study be undertaken in conjunction with the June 30, 2019 rate-setting valuation, so that updated assumptions could be adopted by the

Board four years after the last experience study and considered in the September 2020 setting of employer contribution rates.

Mr. Lagos noted that because we did not originally schedule this experience study, and if the Board decides to adopt this proposal, the motion should include that the experience study be subject to contract negotiations.

After discussion, on a motion by Trustee Dwyer, seconded by Trustee Hart, the Board unanimously voted to engage GRS to initiate an actuarial experience study for the four year period ending with the FY 2019 Actuarial Valuation, in accordance with the provisions of RSA 100-A:14,IX, subject to successful contract negotiations.

Mr. Murphy reported that as of October, NHRS' net position is still above \$9.2 billion. He noted that under FY 2019 Budget v. Actual, the negative variances represented timing issues, including a PensionGold licensing fee of \$850,000, which was paid in October, and a substantial payment to the external auditors in the first half of the fiscal year. Lastly, he mentioned that NHRS *Quickpay*, the online payment option offered to employers, seems to be going well, with 35 employers now using this option.

Chief Legal Counsel Tim Crutchfield reporting for Legal, noted that an administrative appeal filed last month with the NH Supreme Court regarding a restoration of service matter and subsequent pension recoupment has yet to be accepted or denied by the Court.

Mr. Crutchfield then reported that the deadline for responses to the RFP for local NH legal counsel is December 13, and the Governance Committee will be acting on staff's recommendation following the review of the responses. Lastly, under RSA-15-A, it is that time of year when Trustees are required to file their Statement of Financial Interests with the Secretary of State's Office. Mr. Crutchfield noted that the legal team is available to assist anyone in filing the statement.

Director of IT Frank Clough reported on the recent results from penetration testing, commenting that of the 25 findings, there were no successful exploits. Although some of the findings were technically considered to be critical, they did not constitute any significant risk and will be remediated by December 31, 2019. Mr. Clough added that NHRS received positive feedback regarding its infrastructure and risk management from Blue Rhino, the testing company, and that they would do the penetration testing again, to make sure that all findings have been addressed. Mr. Clough reported that NHRS has signed a contract for the implementation of multifactor authentication and that IT is reviewing recommendations received with respect to an upgrade of the telephone system hardware and software as it is coming to end-of-life.

Director of Member Services Nancy Miller reported that a large number of her staff has participated in the User Acceptance Testing. While testing was going on, staff was also sitting in on PGV3 Design 2 (employer reporting) conversations. Training continues for a large number of new Member Services employees.

On a motion by Trustee Walker, seconded by Trustee Hannan, the Board unanimously voted to approve the Consent Agenda, as presented.

A travel request was submitted by Trustee Jean to attend an educational program at the New Trustees Institute for Level 1: Core Concepts, in February. On a motion by Trustee

Roy, seconded by Trustee Lesko, the Board voted to approve the travel request for Trustee Jean, as presented. Trustee Jean abstained.

Mr. Lagos reported that the Action Items from the November 12, 2019 meeting were either in process or complete.

Mr. Lagos mentioned that the Actuarial Calendar that was developed in the fall of 2019 will be updated to take today's vote on the timing of the experience study into consideration. The draft calendar will be ready for review at the January 2020 meeting.

With no further business to discuss, on a motion by Trustee Hart, seconded by Trustee Hannan, the Board unanimously voted to adjourn the meeting.

Respectfully submitted,

Margaret M. Astles, Executive Assistant

# INVESTMENT HIGHLIGHTS

	Market Value (\$)	% of Portfolio	3 Mo (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
<b>Total Fund Composite</b>	<b>9,107,305,517</b>	<b>100.0</b>	<b>0.2</b>	<b>0.2</b>	<b>3.9</b>	<b>8.3</b>	<b>6.8</b>	<b>8.7</b>
<i>Total Fund Custom Index*</i>			1.4	1.4	6.0	8.5	7.3	9.0
<b>Total Domestic Equity</b>	<b>2,575,237,124</b>	<b>28.3</b>	<b>0.6</b>	<b>0.6</b>	<b>0.8</b>	<b>11.6</b>	<b>9.5</b>	<b>12.3</b>
<i>US Equity Index*</i>			1.7	1.7	4.3	13.4	11.1	13.4
<b>Total Non US Equity</b>	<b>1,668,932,199</b>	<b>18.3</b>	<b>-1.4</b>	<b>-1.4</b>	<b>-0.2</b>	<b>7.1</b>	<b>4.1</b>	<b>5.4</b>
<i>Total Non-US Equity Index*</i>			-1.8	-1.8	-1.2	6.3	2.9	4.5
<b>Total Fixed Income</b>	<b>2,222,657,968</b>	<b>24.4</b>	<b>1.4</b>	<b>1.4</b>	<b>7.7</b>	<b>3.4</b>	<b>3.2</b>	<b>4.7</b>
<i>Total Fixed Income Benchmark</i>			2.1	2.1	10.1	3.2	3.6	4.1
<b>Total Cash</b>	<b>30,579,058</b>	<b>0.3</b>	<b>0.5</b>	<b>0.5</b>	<b>2.4</b>	<b>1.6</b>	<b>1.1</b>	<b>0.6</b>
<i>91 Day T-Bills</i>			0.5	0.5	2.3	1.5	1.0	0.5
<b>Total Real Estate**</b>	<b>938,757,643</b>	<b>10.3</b>	<b>-0.1</b>	<b>-0.1</b>	<b>7.0</b>	<b>8.8</b>	<b>10.7</b>	<b>10.9</b>
<i>Real Estate Blended Benchmark*</i>			0.8	0.8	5.5	6.6	8.9	9.5
<b>Total Alternative Assets**</b>	<b>1,671,141,526</b>	<b>18.3</b>	<b>-0.1</b>	<b>-0.1</b>	<b>6.7</b>	<b>9.8</b>	<b>7.3</b>	<b>7.1</b>
<i>Alternative Assets Blended Benchmark*</i>			4.0	4.0	9.9	10.3	9.4	12.3

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

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



### **Information Disclaimer**

- Past performance is no guarantee of future results.
- All investments carry some level of risk. Diversification and other asset allocation techniques are not guaranteed to ensure profit or protect against losses.
- NEPC's source for portfolio pricing, calculation of accruals, and transaction information is the plan's custodian bank. Information on market indices and security characteristics is received from other sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- Some index returns displayed in this report or used in calculation of a policy, allocation or custom benchmark may be preliminary and subject to change.
- This report is provided as a management aid for the client's internal use only. Information contained in this report does not constitute a recommendation by NEPC.
- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

### **Reporting Methodology**

- The client's custodian bank is NEPC's preferred data source unless otherwise directed. NEPC generally reconciles custodian data to manager data. If the custodian cannot provide accurate data, manager data may be used.
- Trailing time period returns are determined by geometrically linking the holding period returns, from the first full month after inception to the report date. Rates of return are annualized when the time period is longer than a year. Performance is presented gross and/or net of manager fees as indicated on each page.
- For managers funded in the middle of a month, the "since inception" return will start with the first full month, although actual inception dates and cash flows are taken into account in all Composite calculations.
- This report may contain forward-looking statements that are based on NEPC's estimates, opinions and beliefs, but NEPC cannot guarantee that any plan will achieve its targeted return or meet other goals.

# TOTAL MARKETABLE BY ASSET CLASS

	Market Value (\$)	% of Portfolio	Policy %	1 Mo (%)	3 Mo (%)	Fiscal YTD (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Total Marketable Assets</b>	<b>6,715,402,598</b>	<b>100.0</b>	<b>100.0</b>	<b>1.8</b>	<b>5.2</b>	<b>4.1</b>	<b>17.4</b>	<b>11.6</b>	<b>5.2</b>	<b>9.3</b>	<b>6.4</b>	<b>8.4</b>	<b>9.5</b>	<b>Jul-75</b>
<i>Total Marketable Custom Index</i>				1.7	5.0	4.6	18.5	13.4	6.4	10.0	6.8	8.7	--	Jul-75
<b>Total Domestic Equity</b>	<b>2,665,987,475</b>	<b>39.7</b>	<b>40.0</b>	<b>3.9</b>	<b>8.2</b>	<b>6.5</b>	<b>26.3</b>	<b>13.4</b>	<b>8.7</b>	<b>12.4</b>	<b>9.7</b>	<b>12.6</b>	<b>11.0</b>	<b>Jul-75</b>
<i>US Equity Index</i>				3.6	7.9	7.7	27.6	16.1	11.1	14.9	11.2	13.7	11.5	Jul-75
<b>Total Non US Equity</b>	<b>1,751,440,674</b>	<b>26.1</b>	<b>26.7</b>	<b>1.6</b>	<b>7.5</b>	<b>3.3</b>	<b>18.4</b>	<b>12.3</b>	<b>1.7</b>	<b>10.4</b>	<b>4.9</b>	<b>5.6</b>	<b>6.2</b>	<b>Mar-88</b>
<i>Total Non-US Equity Index</i>				0.9	7.1	2.5	16.5	11.2	1.1	9.2	3.8	4.7	5.2	Mar-88
<b>Total Fixed Income</b>	<b>2,234,005,031</b>	<b>33.3</b>	<b>33.3</b>	<b>-0.3</b>	<b>0.3</b>	<b>1.9</b>	<b>8.4</b>	<b>9.3</b>	<b>3.6</b>	<b>4.5</b>	<b>3.1</b>	<b>4.5</b>	<b>7.8</b>	<b>Jun-75</b>
<i>Total Fixed Income Benchmark</i>				0.0	-0.1	2.4	9.1	10.8	4.6	4.4	3.4	4.0	--	Jun-75
<b>Total Cash</b>	<b>63,969,419</b>	<b>1.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.7</b>	<b>1.1</b>	<b>2.3</b>	<b>2.5</b>	<b>2.2</b>	<b>1.8</b>	<b>1.2</b>	<b>0.6</b>	<b>2.7</b>	<b>Apr-94</b>
<i>91 Day T-Bills</i>				0.1	0.4	0.8	1.9	2.1	2.0	1.6	1.0	0.5	2.4	Apr-94

# TOTAL MARKETABLE ASSETS

	Market Value (\$)	% of Portfolio	Policy %	1 Mo (%)	3 Mo (%)	Fiscal YTD (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Total Marketable Assets</b>	<b>6,715,402,598</b>	<b>100.0</b>	<b>100.0</b>	<b>1.8</b>	<b>5.2</b>	<b>4.1</b>	<b>17.4</b>	<b>11.6</b>	<b>5.2</b>	<b>9.3</b>	<b>6.4</b>	<b>8.4</b>	<b>9.5</b>	<b>Jul-75</b>
<i>Total Marketable Custom Index</i>				1.7	5.0	4.6	18.5	13.4	6.4	10.0	6.8	8.7	--	Jul-75
<b>Total Domestic Equity</b>	<b>2,665,987,475</b>	<b>39.7</b>	<b>40.0</b>	<b>3.9</b>	<b>8.2</b>	<b>6.5</b>	<b>26.3</b>	<b>13.4</b>	<b>8.7</b>	<b>12.4</b>	<b>9.7</b>	<b>12.6</b>	<b>11.0</b>	<b>Jul-75</b>
<i>US Equity Index</i>				3.6	7.9	7.7	27.6	16.1	11.1	14.9	11.2	13.7	11.5	Jul-75
<i>S&amp;P 500</i>				3.6	7.9	7.7	27.6	16.1	11.1	14.9	11.0	13.4	11.4	Jul-75
<b>Total Small Cap Domestic Equity</b>	<b>586,283,280</b>	<b>8.7</b>	<b>--</b>	<b>4.4</b>	<b>7.5</b>	<b>5.7</b>	<b>28.0</b>	<b>13.7</b>	<b>8.4</b>	<b>12.0</b>	<b>10.2</b>	<b>--</b>	<b>12.3</b>	<b>Nov-10</b>
<i>Russell 2000</i>				4.1	9.1	4.3	22.0	7.5	4.0	8.6	8.2	12.4	11.2	Nov-10
<i>Boston Trust</i>	155,637,007	2.3		2.7	5.9	6.1	28.4	14.8	9.7	12.3	10.8	--	11.7	Nov-10
<i>Russell 2000</i>				4.1	9.1	4.3	22.0	7.5	4.0	8.6	8.2	12.4	11.2	Nov-10
<i>Segall Bryant &amp; Hamill</i>	155,813,102	2.3		5.2	8.3	6.6	26.5	12.2	9.1	11.4	8.7	--	11.3	Nov-10
<i>Russell 2000</i>				4.1	9.1	4.3	22.0	7.5	4.0	8.6	8.2	12.4	11.2	Nov-10
<i>Wellington</i>	274,833,170	4.1		4.8	8.0	5.0	28.7	14.0	7.5	12.2	10.8	--	13.8	Nov-10
<i>Russell 2000</i>				4.1	9.1	4.3	22.0	7.5	4.0	8.6	8.2	12.4	11.2	Nov-10
<b>Total SMid Cap Domestic Equity</b>	<b>473,586,042</b>	<b>7.1</b>	<b>--</b>	<b>4.2</b>	<b>7.6</b>	<b>3.5</b>	<b>22.4</b>	<b>7.5</b>	<b>5.2</b>	<b>8.2</b>	<b>7.6</b>	<b>--</b>	<b>11.4</b>	<b>Dec-10</b>
<i>Russell 2500</i>				4.3	8.2	4.9	25.1	11.4	6.3	10.3	8.8	13.1	11.8	Dec-10
<i>AllianceBernstein</i>	291,009,522	4.3		5.7	6.9	2.8	24.1	9.4	6.5	11.1	9.0	--	12.1	Dec-10
<i>Russell 2500</i>				4.3	8.2	4.9	25.1	11.4	6.3	10.3	8.8	13.1	11.8	Dec-10
<i>TSW</i>	182,576,520	2.7		1.8	8.6	4.7	19.8	4.5	3.1	4.3	5.7	--	10.4	Dec-10
<i>Russell 2500 / Russell 2500 Value Blend</i>				2.5	8.7	4.1	24.1	10.5	5.9	10.0	8.6	13.0	11.7	Dec-10
<b>Total Large Cap Domestic Equity</b>	<b>1,606,118,153</b>	<b>23.9</b>	<b>--</b>	<b>3.6</b>	<b>8.6</b>	<b>7.7</b>	<b>26.8</b>	<b>15.0</b>	<b>9.7</b>	<b>13.8</b>	<b>10.2</b>	<b>--</b>	<b>14.4</b>	<b>Sep-10</b>
<i>S&amp;P 500</i>				3.6	7.9	7.7	27.6	16.1	11.1	14.9	11.0	13.4	15.0	Sep-10
<b>Total Large Cap Passive Equity</b>	<b>1,352,675,886</b>	<b>20.1</b>	<b>--</b>	<b>3.6</b>	<b>7.9</b>	<b>7.7</b>	<b>27.6</b>	<b>16.1</b>	<b>11.1</b>	<b>14.9</b>	<b>11.0</b>	<b>--</b>	<b>14.9</b>	<b>Sep-10</b>
<i>S&amp;P 500</i>				3.6	7.9	7.7	27.6	16.1	11.1	14.9	11.0	13.4	15.0	Sep-10
<i>Blackrock S&amp;P 500</i>	1,352,675,886	20.1		3.6	7.9	7.7	27.6	16.1	11.1	14.9	11.0	--	14.9	Sep-10
<i>S&amp;P 500</i>				3.6	7.9	7.7	27.6	16.1	11.1	14.9	11.0	13.4	15.0	Sep-10
<b>Total Large Cap Active Equity</b>	<b>253,442,267</b>	<b>3.8</b>	<b>--</b>	<b>3.6</b>	<b>13.0</b>	<b>8.0</b>	<b>22.6</b>	<b>9.3</b>	<b>4.5</b>	<b>9.6</b>	<b>7.2</b>	<b>--</b>	<b>12.7</b>	<b>Sep-10</b>
<i>Russell 1000 Value</i>				3.1	8.3	5.9	23.2	11.3	7.1	9.6	7.8	11.7	12.9	Sep-10
<i>LSV Asset Management</i>	253,442,267	3.8		3.6	13.0	8.0	22.6	9.3	4.5	9.3	7.8	12.3	8.9	Jun-04
<i>Large Cap Value Manager Index</i>				3.1	8.3	5.9	23.2	11.3	7.1	9.6	7.8	11.7	7.3	Jun-04





# TOTAL MARKETABLE ASSETS

	Market Value (\$)	% of Portfolio	Policy %	1 Mo (%)	3 Mo (%)	Fiscal YTD (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Total Non US Equity</b>	<b>1,751,440,674</b>	<b>26.1</b>	<b>26.7</b>	<b>1.6</b>	<b>7.5</b>	<b>3.3</b>	<b>18.4</b>	<b>12.3</b>	<b>1.7</b>	<b>10.4</b>	<b>4.9</b>	<b>5.6</b>	<b>6.2</b>	<b>Mar-88</b>
<i>Total Non-US Equity Index</i>				0.9	7.1	2.5	16.5	11.2	1.1	9.2	3.8	4.7	5.2	Mar-88
<i>MSCI ACWI ex USA</i>				0.9	7.1	2.5	16.5	11.2	1.1	9.2	3.8	4.7	--	Mar-88
<b>Total Core Non US Equity</b>	<b>911,682,401</b>	<b>13.6</b>	<b>--</b>	<b>1.7</b>	<b>8.5</b>	<b>3.8</b>	<b>19.2</b>	<b>12.7</b>	<b>1.2</b>	<b>10.1</b>	<b>4.0</b>	<b>5.0</b>	<b>6.0</b>	<b>Mar-88</b>
<i>Core Non-US Equity Manager Index</i>				0.9	7.1	2.5	16.5	11.2	1.1	9.2	3.8	4.7	5.1	Mar-88
Artisan Partners	321,705,485	4.8		1.8	6.0	5.4	26.5	19.6	6.5	14.2	4.8	--	5.5	Nov-14
<i>MSCI EAFE</i>				1.1	7.8	3.6	18.2	12.4	1.7	9.6	4.3	5.3	4.5	Nov-14
Causeway Capital	292,197,420	4.4		2.8	11.5	4.5	16.0	8.4	-1.7	7.5	2.7	--	2.4	Oct-14
<i>MSCI EAFE</i>				1.1	7.8	3.6	18.2	12.4	1.7	9.6	4.3	5.3	4.1	Oct-14
LSV International Value	296,239,734	4.4		0.7	9.4	3.2	14.1	8.2	-1.0	8.2	3.4	--	3.1	Oct-14
<i>MSCI ACWI ex USA / MSCI ACWI ex USA Value Blend</i>				0.2	7.8	0.6	14.3	9.1	0.1	8.6	3.5	4.5	3.3	Oct-14
<b>Total Emerging Markets</b>	<b>344,195,830</b>	<b>5.1</b>	<b>--</b>	<b>0.3</b>	<b>4.8</b>	<b>-0.3</b>	<b>12.1</b>	<b>9.2</b>	<b>-2.7</b>	<b>8.0</b>	<b>2.8</b>	<b>--</b>	<b>2.4</b>	<b>Jun-11</b>
<i>MSCI Emerging Markets</i>				-0.1	6.1	-0.3	10.2	7.3	-1.2	9.0	3.1	3.3	1.1	Jun-11
Neuberger Berman	179,390,935	2.7		-0.7	4.4	0.2	11.4	8.0	-3.0	9.1	3.9	--	3.8	Apr-14
<i>MSCI Emerging Markets</i>				-0.1	6.1	-0.3	10.2	7.3	-1.2	9.0	3.1	3.3	3.3	Apr-14
Wellington Emerging Markets	164,804,895	2.5		1.4	5.3	-0.8	12.9	10.7	-2.6	10.2	4.1	--	4.5	Jun-11
<i>MSCI Emerging Markets</i>				-0.1	6.1	-0.3	10.2	7.3	-1.2	9.0	3.1	3.3	1.1	Jun-11
<b>Total Non US Small Cap</b>	<b>125,944,584</b>	<b>1.9</b>	<b>--</b>	<b>2.0</b>	<b>10.6</b>	<b>5.5</b>	<b>12.3</b>	<b>4.5</b>	<b>-6.8</b>	<b>3.2</b>	<b>2.3</b>	<b>--</b>	<b>3.0</b>	<b>Jul-11</b>
SBH International Small Cap	125,944,584	1.9		2.0	10.6	5.5	12.3	4.5	-6.8	--	--	--	1.7	Feb-17
<i>MSCI EAFE Small Cap</i>				2.2	9.9	6.4	19.7	12.0	0.5	10.4	7.8	8.4	8.6	Feb-17
<b>Total Global Equity</b>	<b>369,617,859</b>	<b>5.5</b>	<b>--</b>	<b>2.5</b>	<b>6.0</b>	<b>5.1</b>	<b>26.5</b>	<b>18.3</b>	<b>12.3</b>	<b>17.2</b>	<b>11.4</b>	<b>11.3</b>	<b>8.5</b>	<b>May-08</b>
<i>MSCI ACWI</i>				2.4	7.5	5.2	22.3	13.7	6.1	11.9	7.2	8.6	5.3	May-08
Walter Scott Global Equity	369,617,859	5.5		2.5	6.0	5.1	26.5	18.3	12.3	17.2	11.4	11.4	9.7	Jan-05
<i>MSCI EAFE / ACWI Blend</i>				2.4	7.5	5.2	22.3	13.7	6.1	11.9	7.2	8.6	7.1	Jan-05

# TOTAL MARKETABLE ASSETS

	Market Value (\$)	% of Portfolio	Policy %	1 Mo (%)	3 Mo (%)	Fiscal YTD (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Total Fixed Income</b>	<b>2,234,005,031</b>	<b>33.3</b>	<b>33.3</b>	<b>-0.3</b>	<b>0.3</b>	<b>1.9</b>	<b>8.4</b>	<b>9.3</b>	<b>3.6</b>	<b>4.5</b>	<b>3.1</b>	<b>4.5</b>	<b>7.8</b>	<b>Jun-75</b>
<i>Total Fixed Income Benchmark</i>				0.0	-0.1	2.4	9.1	10.8	4.6	4.4	3.4	4.0	--	Jun-75
<i>BBgBarc US Aggregate TR</i>				-0.1	-0.3	2.5	8.8	10.8	4.5	4.1	3.1	3.6	--	Jun-75
<i>BBgBarc US Universal TR</i>				0.0	-0.1	2.4	9.1	10.8	4.6	4.4	3.4	4.0	--	Jun-75
BlackRock SIO Bond Fund	267,348,299	4.0		0.0	0.5	1.4	5.3	--	--	--	--	--	5.3	Jan-19
<i>3-Month Libor Total Return USD</i>				0.2	0.5	0.9	2.2	2.4	2.4	2.0	1.4	0.9	2.2	Jan-19
Brandywine Asset Mgmt	356,061,763	5.3		-2.0	0.6	-1.1	5.7	7.8	0.6	4.6	1.6	4.2	6.9	Nov-97
<i>Brandywine Custom Benchmark</i>				-1.2	-1.9	0.2	5.6	8.1	2.4	3.8	1.8	1.4	4.3	Nov-97
FIAM (Fidelity) Tactical Bond Fund	378,914,031	5.6		0.2	0.9	3.0	--	--	--	--	--	--	9.1	Feb-19
<i>BBgBarc US Aggregate TR</i>				-0.1	-0.3	2.5	8.8	10.8	4.5	4.1	3.1	3.6	7.6	Feb-19
Income Research & Management	718,453,982	10.7		-0.1	-0.7	2.8	10.1	12.0	5.0	4.6	3.5	4.4	7.0	Sep-87
<i>BBgBarc US Govt/Credit TR</i>				-0.1	-0.6	2.8	9.9	12.0	4.9	4.5	3.3	3.8	6.3	Sep-87
Loomis Sayles	281,911,868	4.2		0.2	0.8	2.3	10.0	9.7	4.4	5.2	4.0	6.0	7.9	Oct-02
<i>65% BBgBarc Aggregate / 35% BBgBarc HY</i>				0.1	0.2	2.3	10.0	10.5	4.7	4.9	3.9	5.1	5.9	Oct-02
Manulife Strategic Fixed Income Fund	231,315,088	3.4		0.0	0.3	2.7	10.0	9.5	3.5	4.0	--	--	2.8	Mar-15
<i>BBgBarc Multiverse</i>				-0.8	-1.0	0.6	6.4	8.4	2.6	4.1	2.2	2.2	2.7	Mar-15
<b>Total Cash</b>	<b>63,969,419</b>	<b>1.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.7</b>	<b>1.1</b>	<b>2.3</b>	<b>2.5</b>	<b>2.2</b>	<b>1.8</b>	<b>1.2</b>	<b>0.6</b>	<b>2.7</b>	<b>Apr-94</b>
<i>91 Day T-Bills</i>				0.1	0.4	0.8	1.9	2.1	2.0	1.6	1.0	0.5	2.4	Apr-94

Performance shown is net of manager fees  
 Results for periods longer than one year are annualized  
 Total Fund historical performance calculated quarterly  
 Includes historical benchmark changes  
 Production Date: 12/17/2019





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**For Immediate Release:** October 18, 2019

**Contact:** Marty Karlon, Public Information Officer, (603) 410-3594; [public\\_relations@nhrs.org](mailto:public_relations@nhrs.org)

## **NHRS Realizes 5.7% Investment Return in Fiscal Year 2019**

*Trust fund assets stand at \$9.2 billion as of June 30, 2019*

CONCORD, NH – The New Hampshire Retirement System (NHRS, the retirement system) realized a 5.7% return on investments in the fiscal year ended June 30, 2019.

The three-year, five-year, 10-year, 20-year, and 25-year returns for the periods ended June 30, 2019, were 9.3%, 6.4%, 9.9%, 5.9%, and 8.2%, respectively. All returns are net of fees. The retirement system's assumed rate of investment return is 7.25%.

“As long-term investors, we know that we will see returns above and below our assumed rate of return in any given year. We continue to emphasize that our primary focus is to meet or exceed the retirement system's assumed rate of return of 7.25% over the long term,” said NHRS Executive Director George Lagos.

At the close of the fiscal year, the retirement system's unaudited net position held in trust was \$9.208 billion, an increase of \$334 million over the prior fiscal year, which stood at \$8.874 billion. In the decade since June 30, 2009 – the depths of the great financial crisis – NHRS trust fund assets have more than doubled, despite paying out more than \$6 billion in benefits over that same period. Eighty percent of benefit recipients continue to reside in New Hampshire, which means most of these benefit payments remain in-state, helping support the local economy.

NHRS pursues a long-term investment strategy designed to meet its funding requirements. The Board of Trustees, with research and input from NHRS investment staff, outside experts, and a recommendation from the Independent Investment Committee (IIC), set an investment policy that includes asset allocation targets and ranges. The IIC continuously monitors and evaluates performance on a monthly basis, and makes determinations regarding the hiring and retention of fund managers.

Compared to the members in the InvestorForce Public Defined Benefit Net Universe, which consists of 535 public pension plans totaling \$700 billion in assets, NHRS performed better than two-thirds of its peers over the three-, five- and 20-year periods and better than 85% of its peers over the 10- and 25-year periods. The one-year return was below the median, with NHRS placing just outside the bottom third of all plans.

NHRS has a diversified investment portfolio which, in any given year, can diverge from market indices. The long-term goal of this approach is to reduce risk and mitigate volatility. In FY 2019, NHRS' domestic equity portfolio (i.e. stocks) trailed the S&P 500 index because it included stocks not in the index, and the fixed income portfolio was underweight in US Treasuries, which outperformed many other fixed income vehicles.

Further information on the retirement system's investment performance is available online at:

<https://www.nhrs.org/funding-and-investments/investments>

Detailed fiscal year 2019 financial and investment information will be included in the retirement system's Comprehensive Annual Financial Report (CAFR) and Comprehensive Annual Investment Report (CAIR), both due out in December.

### **About NHRS**

NHRS provides retirement, disability, and death benefits to its eligible members and their beneficiaries. The State of New Hampshire and nearly 470 local government employers participate in NHRS for their employees, teachers, firefighters, and police officers. NHRS has approximately 48,000 active members and 37,000 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.

# # #

# Good governance is fundamental

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

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

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

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

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

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

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

- Conducting annual actuarial valuations to inform the Board of the fund’s future financial needs;
- Using asset allocation studies to evaluate and establish asset mixes for meeting future financial needs;



- Regular presentations/training on fiduciary law, actuarial practice, capital market assumptions, and other pension-related topics.

**III. Board policies** – The NHRS Board has adopted several policies designed to guide the retirement system to its stated goals, such as standards of conduct, ethics, and conflict-of-interest rules, as well as an Investment Policy that includes goals, monitoring procedures, and Board-risk tolerances.

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

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

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

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

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

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



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**For Immediate Release:** December 23, 2019

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## **NHRS Initiates Review of Actuarial Assumptions**

*Trustees authorize experience study of 2016-19 fiscal years*

CONCORD, NH – The Board of Trustees of the New Hampshire Retirement System (NHRS, the retirement system) voted unanimously in December to initiate an actuarial experience study for the fiscal years 2016-19 period.

The experience study, which was recommended by GRS Consulting, the retirement system’s independent actuary, will review the actual plan experience as compared to the current economic and demographic assumptions used to calculate pension and medical subsidy liabilities. The last experience study was conducted four years ago for the five-year period ending June 30, 2015. New Hampshire law requires the retirement system’s actuary to conduct an experience study at least once every five years.

GRS recommended that the experience study be undertaken in conjunction with the June 30, 2019, rate-setting valuation so that any updated assumptions adopted by the Board can be applied to the 2019 valuation, which will serve as the basis for the FY 2022-23 employer contribution rates.

GRS Chief Actuary David Kausch told the Board at its December 10 meeting that if the next experience study was performed on the five-year schedule, the impact of the experience study would not be reflected until the June 30, 2021, rate-setting valuation, six years after the last assumption changes took effect.

“The Trustees have a legal obligation to adopt actuarially sound assumptions, including the assumed rate of return. In taking this action, the Board is being mindful of recent capital market projections, the prolonged period of low, long-term interest rates and other economic and demographic trends that are key to determining the pension system’s liabilities. The decision to initiate the experience study now is consistent with the Board’s fiduciary duty to act in the best interests of the retirement system’s members and beneficiaries,” said NHRS Executive Director George P. Lagos.

### **About NHRS**

NHRS provides retirement, disability, and death benefits to its eligible members and their beneficiaries. The State of New Hampshire and more than 460 local government employers participate in NHRS for their employees,

teachers, firefighters, and police officers. NHRS has approximately 48,000 active members and more than 38,000 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.

# # #





## 2020 Legislative Tracker

*December 30, 2019*

Legislation introduced in the 2020 session that would impact the New Hampshire Retirement System (NHRS, the retirement system) is listed below. For details on a particular bill, visit the State of New Hampshire General Court website at: <http://gencourt.state.nh.us/>

BILL #	BRIEF DESCRIPTION	PRIMARY SPONSOR	STATUS
<b>2020 NHRS-RELATED BILLS</b>			
HB 1204	This bill excludes emergency response and training by retired members working for municipal fire departments from the limitations on part-time employment by retired members in the retirement system.	Rep. David Danielson	
HB 1205	This bill pushes back the current recalculation of a Group I retiree's pension benefit at age 65 to the member's full retirement age under the federal Social Security system.	Rep. Dianne Schuett	
HB 1235	This bill establishes a committee to study ensuring workforce maintenance through enhancement of the retirement system. The bill also makes an appropriation for the purposes of the study.	Rep. Robert Renny Cushing	
HB 1326	This bill requires the quarterly report of the retirement system's Independent Investment Committee to include a description of investment fees. The bill also requires Independent Investment Committee reports to be available on the retirement system's website.	Rep. Dianne Schuett	
HB 1434	This bill repeals the requirements for retired state employees and judicial retirees who are Medicare-eligible to pay premium contributions for state retiree health benefits. (Note: Health benefits are administered by the Risk Management Unit of the Dept. of Administrative Services, not NHRS.)	Rep. Dianne Schuett	
HB 1341	This bill changes the application of 2011 amendments to certain Group II retirement system provisions to apply to Group II members who are in vested status prior to July 1, 2021.	Rep. Stephen Pearson	
HB 1447	This bill revises the penalty for a retired member of the retirement system working part-time for a retirement system employer who exceeds the maximum hours during a calendar year. The revised penalty is a 23 percent deduction from the retiree's part-time compensation for the remainder of the year.	Rep. Max Abramson	
HB 1494	The bill eliminates the retirement system offset for workers' compensation benefits applicable to Group I accidental death benefit annuities. This bill also establishes a state death benefit for a municipal or state public works heavy equipment operator killed in the line of duty (Note: This benefit would not be provided through the retirement system).	Rep. Kristina Schultz	
HB 1550	This bill extends accidental death benefits for Group II members of the retirement system suffering from heart attacks.	Rep. Daryl Abbas	

BILL #	BRIEF DESCRIPTION	PRIMARY SPONSOR	STATUS
HB 1561	This bill allows the county commissioners to exempt the county chief administrative officer from compulsory membership in the state retirement system.	Rep. Brian Sullivan	
HB 1634	This bill exempts members who had a part-time position with another employer concurrent with their full-time position from the statutory 28-day waiting period on part-time employment with a participating employer following retirement.	Rep. Peter Petrigno	
SB 543	This bill allows members with at least 10 years of Group II service hired for certain management positions with the state Department of Corrections to continue to be classified as Group II members.	Sen. John Reagan	
<p><b>Committee Key:</b> ED&amp;A = Executive Departments &amp; Administration;  <b>Location Key:</b> LOB = Legislative Office Building; SH = State House.</p>			

2020 NHRS-RELATED LEGISLATIVE SERVICE REQUESTS			
Legislators submit requests to draft bills and resolutions to the Office of Legislative Services. The full text of the legislation is not publically available it is introduced.			
LSR 2020 - 3020 SB	Relative to fraud and errors in records of the retirement system.	Sen. Martha Hennessey	