

## **NHRS Board Statement of Beliefs and Guiding Principles**

This statement provides a strategic framework for the administration of the New Hampshire Retirement System (“NHRS” or “the Board”) and its related pension trust fund (“the Trust” or “Fund”), its pension benefits (“the Plan”) and the organization. The material below is numbered for reference, however, all of these statements are of equal importance to the administration of the Trust, the Plan, and the organization, and are consistent with our mission to “Provide secure benefits and superior service”.

### **General**

1. The Board is committed to being a trusted and effective fiduciary by always acting solely in the collective best interest of our membership per RSA 100-A:15, I-a, and general trust law.
2. The Board will not support any legislation that either interferes with the Board’s fiduciary duty or threatens the Plan’s tax qualified status.
3. The Board believes in applying a best practices approach to governance of the Board, the Trust, the Plan, and the organization. In the absence of industry accepted best practices, staff will develop policies and practices that are in the best interest of the NHRS and recommend them to the Board. These best practices include:
  - a. clear and documented allocation of responsibilities,
  - b. development and documentation of all related policies and procedures,
  - c. proper reporting, oversight, and performance evaluation,
  - d. reviewing peer pension practices, and
  - e. obtaining advice from experts and/or delegating specific responsibilities, as needed.
4. All beliefs, guiding principles, and related policies should be consistent with, and mutually supportive of, each other and be balanced and reasonable.
5. The Executive Director and all staff must be guided at all times by what is in the best long-term interest of the Plan members and beneficiaries in all investment and administrative functions.
6. All Plan-related activities will comply with statutes and related regulations (federal and state), and NHRS policies and rules.
7. All Plan-related activities and reporting will be in compliance with current professional standards and based on transparency and full disclosure where relevant and appropriate.
8. The Board and Staff are committed to adhering to best practices regarding data protection.
9. Board and staff are committed to developing prudent NHRS operating budgets, hiring qualified staff, adopting actuarially sound employer contribution rates as required under Part, I, Article 36-a of the NH Constitution, and providing data and factual analysis of Plan design changes or amendments to RSA 100-A.
10. Board and staff recognize that retirement benefits are an important part of public employees’ total compensation package.

11. The Board and staff are part of two important peer groups - pension plan administrators and investors- and must actively monitor issues and trends affecting these groups.
12. The statutory purpose of the NHRS retirement benefits is to replace a portion of the working salaries of our members.

### **Plan Design**

1. The design and operation of the Plan should reflect the foundational concept that saving for retirement is a shared responsibility and is dependent on the consistent efforts of federal and state governments, employers, and members. This approach is often referred to as the three-legged stool for retirement income: an employer-provided defined benefit plan, Social Security (if applicable), and additional member savings, such as through an employer-provided defined contribution plan, Independent Retirement Account (IRA), or other investment vehicles.
2. The Plan must be cost-effective to participating employers and members.
3. Pursuant to RSA 100-A:16, II, the participating employers shall pay a portion of the normal cost in addition to amortizing the unfunded liability.
4. The eligibility for, and payment of, NHRS benefits are designed to encourage long-term employment and to compensate members for their service to our participating employers and the people of NH.
5. The Plan will provide a lifetime retirement income for its retirees and eligible beneficiaries, if chosen.
6. Eligible public employees who can be a member, should be a member per 100-A:1 and 100-A:3.
7. Working in retirement for a participating employer must be actuarially sound, not encourage retirement with the intent to return to service, and not threaten the Plan's tax qualified status.
8. To ensure intergenerational equity, each cohort of members, during their working years for NHRS participating employers, along with their employers, should pay enough in contributions so that those contributions and related investment earnings are sufficient to pay for the retirement benefits earned by members.
9. The Board supports prefunding as the most responsible funding method for benefit enhancement proposals.

### **Funding**

1. Market risk is borne by the Fund – and by participating employers – and mitigated through prudent investment decisions made by the Board and the Independent Investment Committee and implemented by the Investment Team.
2. The Plan and its benefits must be sustainable and remain on a path to amortize the pre-7/1/2017 unfunded liability by 2039 due to its closed 30-year amortization period. Subsequent changes in liability after 6/30/17 are amortized in layers of no more than 20 years. Layers are determined every two years in the rate-setting actuarial valuations per 100-A:16.
3. To achieve and maintain full funding of the Plan is an important goal. When the Plan is 100% funded, actuarial contribution levels will be significantly lower because the unfunded liability will be eliminated.
4. Contributions from the employers and the members should be stable and predictable per RSA 100-A:16.

5. In general, the funding mechanisms for the Plan should be tax effective for the members per RSA 100-A:16.
6. The Board and staff are committed to maintaining the Plan's tax qualified status per RSA 100-A:2.

### **Investments**

1. NHRS is a long-term investor with the goal to deliver secure retirement benefits through prudent investment management.
2. The performance goal for the Fund is to achieve a risk adjusted rate of return over the long-term, equal to or exceeding the assumed rate of return.
3. All investment decisions are based solely in the interest of NHRS' participants and beneficiaries per RA 100-A:15, I-a.
4. Asset allocation is an important determinant of long-term investment performance, incorporating diversification and risk management as factors to achieve the long-term rate of return.
5. NHRS investment processes should be efficient, prudent, transparent and provide net value.
6. The Board, the Independent Investment Committee, and Investment team will regularly review and identify opportunities to achieve the long-term goals for plan assets.
7. As a long-term investor, NHRS is focused on generating sufficient funds to pay retirement benefits to current and future beneficiaries and takes a measured approach to short-term market and economic conditions.
8. The Fund has a responsibility to engage with investment managers and advisors to encourage and improve transparency in the funds we invest in.

### **Organization**

1. We are committed to acting in an ethical, honest, and professional manner in all our interactions.
2. We desire to create an environment in which all employees can thrive and be aware of the importance of the work they do for our members, beneficiaries, and participating employers.
3. We have a commitment to a diversified workforce that reflects our state and our membership.
4. We recognize the importance of lifelong learning and creation of career paths for all employees.
5. Total compensation for all employees must be competitive with comparable public pension plans.
6. We strive to provide responsive, accurate, and timely information to our stakeholders, including, but not limited to, educating plan members to prepare for retirement by providing relevant information online, in newsletters, through regular member education events, and other effective means of communication.
7. We are committed to safeguarding the confidentiality of personal information.
8. We strive to exceed expectations through innovation, accountability, and teamwork.