

Investing in our members' future

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.

There are several different ways that public pension investments are managed. In some states, an independent governmental entity, separate from the retirement system, manages the portfolio. In other states, that responsibility is designated to a retirement system's board of trustees. Some states even have a sole individual responsible for investments.

The New Hampshire Retirement System is rare in that most investment-related decisions are made by an Independent Investment Committee (IIC), which came into existence through legislation on January 1, 2009. The IIC, as originally constituted, consisted of three public members and up to two representatives of the Board of Trustees; legislation enacted in 2019 added an

active NHRS member to the IIC as a non-voting committee member.

By law, all IIC members must have "substantial experience in the field of institutional investment or finance." Trustee members are appointed to the IIC by the chairperson of the Board of Trustees. Public members of the IIC are nominated by the Governor and approved by the Executive Council. The active NHRS member is nominated by the Governor from a list of names provided by public employee organizations and approved by the Executive Council.

The IIC manages investments based on the investment policy and asset allocation approved by the Board of Trustees. With the assistance of an outside investment consultant and NHRS staff, the IIC continuously monitors and evaluates investment performance, and makes determinations regarding the hiring and retention of fund managers. Previously, the Board of Trustees managed investments.

The genesis for an Independent Investment Committee came out of a recommendation from the 2007 Commission to Study the Long Term Viability of the NH Retirement System.

It is important to note that no market goes up in a straight line and volatility is inevitable, but with 10-plus years of investment performance to look back



on, the Legislature's decision to create the IIC has proven to be beneficial for NHRS, as evidenced by its results compared to other public pension plans. Because individual outcomes track the overall market, which is subject to peaks and valleys over time, comparing raw numbers from different eras can be misleading. However, measuring the performance of an individual investor compared to other similarly situated investors provides an objective baseline.

For the 14 years ending June 30, 2023, a period during which the IIC made the investment decisions, the fund outperformed 85 percent of peer plans in the Callan Public Fund Sponsor – Large Universe (greater than \$1 billion). The outperformance relative to the public defined benefit plan median for the 14 years ending June 30, 2023, represents approximately \$346 million in additional investment returns.

The Decennial Retirement Commission, which convened in 2017 to review the actions taken over the prior decade, stated that, "The work of the [2007] Viability Commission manifested itself in several ways, perhaps the most impactful being the creation of an Independent Investment Committee."