



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

TO: Senator Howard Pearl, Chair, Senate Executive Departments & Administration Committee
Representative Carol McGuire, Chair, House Executive Departments & Administration Committee

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

RE: Quarterly Report to the General Court – January 1, 2024

Dear Senator Pearl and Representative McGuire:

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

Here is a summary of NHRS activities during the quarter ending December 31, 2023:

- For the Fiscal Year (FY) that ended June 30, 2023, NHRS realized an 8.2% return on investments. The three-year, five-year, 10-year, and 25-year returns for the periods ended June 30, 2023, were 9.6%, 7.1%, 7.9%, and 6.5%, respectively. All returns are net of fees. The retirement system's assumed rate of investment return is 6.75%.
- The FY 2023 NHRS funded ratio – the actuarial value of assets divided by the projected value of future benefits – is 67.2%, up from 65.6% in FY 2022. The retirement system's unaudited net position held in trust was \$11.51 billion, an increase of approximately \$750 million from the prior fiscal year, which stood at \$10.75 billion.
- The Board voted unanimously in December to accept the recommendation of the Independent Investment Committee (IIC) to modify the fund's asset allocation, reducing the allocation to global equities from 50% to 40%, increasing the allocation to private credit by 5%, allocating 5% to private infrastructure, a new asset category for NHRS which is expected to reduce volatility and provide steady cash flows. The change was made after months of review and due diligence by NHRS investment staff, our external investment consultant, and the IIC. These allocation changes will be phased in, as appropriate, over a multi-year timeframe beginning July 1, 2024.
- The upgrade of the NHRS pension administration system ("PGV3"), which began in January 2019, reached a major milestone this quarter with the transition to the new system in late November.
- Fourteen LSRs related to the retirement system have been introduced, 11 in the House and three in the Senate.
- Trustees in December voted to accept the Annual Comprehensive Financial Report (ACFR) and Comprehensive Annual Investment Report (CAIR) for the fiscal year ended June 30, 2023.
- NHRS was recognized by the Government Finance Officers Association for excellence in financial reporting for its 2022 ACFR.

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 12, 2023; November 14, 2023; December 12, 2023 (draft).
- Final FY 2023 investment performance information.
- Investment information on Total Fund performance through September 30, 2023, which is the most recent quarterly data available.

- Monthly investment information through October 31, 2023, which is the most recent data available.
- The asset allocation recommendation provided to the Board in December.
- Quarterly Investment Compliance Notice to the Legislative Budget Assistant.
- A list of 2024 bills related to the retirement system.

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

Respectfully,

A handwritten signature in blue ink, appearing to read "Jan Goodwin".

Jan Goodwin
Executive Director

cc: Office of Governor Christopher Sununu

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

October 10, 2023, to December 12, 2023

At the October 10, 2023, regular monthly meeting of the NHRS Board of Trustees, the Board was briefed on the start of parallel processing on October 9, a major milestone in the retirement system's multi-year pension administration system upgrade project (PGV3), which is replacing the current decades-old system (PGV2).

Executive Director Jan Goodwin explained that prior to parallel, NHRS was operating in a 10-day blackout period – which prevented staff from using PGV2 or PGV3, and blocked employers from using the Data Reporting System (DRS) to report to NHRS – while LRS converted 378 million records from PGV2 into PGV3.

Representatives from Callan, the retirement system's investment consultant, presented their long-term capital market assumptions to the Board. This presentation was part of an assessment of NHRS's strategic asset allocation review, which will be presented to the Board at a future meeting.

The Board received an update from NHRS legal staff on the Private Letter Ruling (PLR) request to the IRS pertaining to 2021 legislation regarding the medical subsidy payment process. The IRS declined to make a ruling on the matter after months of inquiries and NHRS providing requested information. As a result, there will be no change to the current order of the medical subsidy payment process without further legislation. NHRS will notify the state that there was no ruling.

Deputy Director and Chief Legal Counsel Tim Crutchfield discussed the possible delegation of the Consent Agenda for approved disability applications to the Benefits Committee to accommodate the Board's new bi-monthly meeting schedule starting in 2024. He conveyed that the legal department had reviewed the statute and consulted with Groom Law, the NHRS outside fiduciary and tax counsel, on what actions are permissible for the Board relative to delegating duties to subcommittees. Groom Law confirmed that the Board has the authority to delegate pursuant to its general powers of administration under RSA 100-A:14.

At the November 14, 2023, regular monthly meeting, the Board received final investment performance data as of June 30, 2023. The total fund net return for Fiscal Year (FY) 2023 was 8.2%. The three-year, five-year, 10-year, and 25-year returns for the periods ended June 30, 2023, were 9.6%, 7.1%, 7.9%, and 6.5%, respectively. All returns are net of fees. The retirement system's assumed rate of investment return is 6.75%.

Representatives from GRS, the retirement system's consulting actuary, presented a comprehensive overview of GRS, its actuarial process specific to the NHRS benefit plan, and a new reporting requirement under the Actuarial Standards of Practice which will be included in the next actuarial valuation.

Attorney David Levine of Groom Law Group presented an overview of Trustees' fiduciary duties. Attorney Levine explained the retirement system's legal requirements, the fiduciary framework, and discussed current events.

The Board voted to accept the recommendation of the Governance Committee to approve the revisions to the Benefits Committee Charter authorizing the delegation of initial disability applications to the Benefits Committee, as presented.

At the December 12, 2023, regular monthly meeting the Board voted unanimously to accept the recommendation of the Audit Committee to approve and accept the Annual Comprehensive Financial Report for FY 23, pending receipt of the unmodified opinion letter from independent auditor Plante Moran.

The Board also voted unanimously to approve and accept the Comprehensive Annual Investment Report for FY 23 as prepared and approved by the Independent Investment Committee.

The Board voted unanimously to accept the recommendation of the Independent Investment Committee (IIC) to modify the fund's asset allocation, reducing the allocation to global equities from 50% to 40%, increasing the allocation to private credit by 5%, allocating 5% to private infrastructure, a new asset category for NHRS which is expected to reduce volatility and provide steady cash flows. The change was made after months of review and due diligence by NHRS investment staff, our external investment consultant, and the IIC. These allocation changes will be phased in, as appropriate, over a multi-year timeframe beginning July 1, 2024.

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

NHRS Board of Trustees

Minutes – October 10, 2023

Note: These minutes from the October 10, 2023 Public Session were approved and executed at the November 14, 2023 Board of Trustees meeting.

Board of Trustees

October 10, 2023

Public Minutes

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

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

Absent: Trustees Jon Frederick, Jason Henry, Paul Provost, and Don Roy.

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

Guests: Jay Kloepfer, Pete Kelouotis, Angel Haddad, and Catherine Beard, all of Callan, LLC.

Chair Tim Lesko called the October 10, 2023, regular meeting of the NHRS Board of Trustees to order at 10:00 a.m. and after establishing a quorum, he called for a vote to approve the meeting minutes of the September 12, 2023, Board meeting. On a motion by Trustee Maloney, seconded by Trustee Hannan, the Board voted unanimously to approve the meeting minutes.

Due to last-minute exigencies, the Board's action on the Consent Agenda was considered next. On a motion by Trustee Hannan, seconded by Trustee Martins, the Board voted unanimously to approve the Consent Agenda, as presented.

Trustee Mezzapelle gave the report of the Audit Committee, which met earlier this morning. The Committee reviewed the open items in Internal Audit, which are on hold until PGV3 parallel processing is completed. She noted the GASB Census Data Audits are under review with NHRS's external auditor, Plante Moran. She reported the Committee reviewed the Fraud Policy, which had minor changes, and voted unanimously to approve the amended policy and will recommend it to the Board at its November meeting. Lastly, Trustee Mezzapelle gave a status update on the Financial Statements Audit, which is in process, and noted Plante Moran will be at NHRS by the end of the month to continue work on the audit.

On behalf of Trustee Roy, Associate Counsel Mark Cavanaugh gave a brief update on the Governance Committee, which had not met since the last Board meeting.

Trustee Kelliher reported on the September 12, 2023, Independent Investment Committee (IIC, Committee) meeting. Chief Investment Officer Raynald Leveque reported on investment returns through recent time periods, referring to Callan's July 31, 2023, report. He gave updates on holdings within the NHRS portfolio and confirmed asset allocations are within range. Mr. Leveque also reviewed plan liquidity, Russian holdings, and the Work Plan. Trustee Kelliher noted staff continue to prepare the strategic asset allocation for presentation by the end of the calendar year. She mentioned that in 2024 staff will submit a request for proposal (RFP), for an analytic system to assist with their total plan analysis. She reported that Mr. Leveque reviewed the August Committee vote to commit \$50 million to Ares Management Pathfinder Fund II and with the staff's recommendation to commit an additional \$25 million, the IIC, at its September meeting, voted unanimously to approve the recommendation, subject to contract and legal review, resulting in a \$75 million total commitment to the fund. She reported the Committee reviewed the September presentation from Income Research & Management (IR+M) and voted unanimously to renew the five-year contract with IR+M, ending October 31, 2028. In closing, Trustee Kelliher summarized a presentation that the Committee heard from Callan on the retirement system's performance in the public market in Fiscal Year (FY) 2023, its broad market performance, and future plans for asset allocation positioning. She then turned to Mr. Leveque for further updates on portfolio performance.

Mr. Leveque reported on performance for NHRS as of August 31, 2023, noting the Total Fund net return for the fiscal year-to-date (FYTD) period was -1.34%, outperforming the benchmark, which returned -1.71% by 37 basis points. The plan trailed the benchmark for the calendar year-to-date (CYTD) period, by 194 basis points. He reported on the long-term performance of the plan relative to the policy benchmark for three, five, and 10-year periods, which generated 2.41%, 0.14%, and -0.04% of excess returns, respectively. Mr. Leveque noted the positive return to NHRS cash holdings, and the performance for the private markets are still reporting 1st Quarter returns. He expects to have 2nd Quarter returns to present next month. In closing, he reported all of the asset classes are in line with the balancing ranges, and noted the Total Plan is at \$11.4 billion. He opened the floor for questions. A Trustee requested a spreadsheet for next month on the duration of the fixed-income portfolio. Lastly, Mr. Leveque referred to Callan's quarterly review, noting asset allocations and the gross performance compared to the Callan peer universe of large public plans greater than \$1 billion. NHRS's gross Total Plan lands in the top half of the peer universe and continues to show strong performance in the fiscal years for three, five, seven, 10, 20, and 25 years. He ended his report with a summary of the total plan attribution on a one-year basis, as listed in Callan's review.

Trustee Merrifield gave an update on the Legislative Committee, which has not met since September. He mentioned the House filing period for Legislative Service Requests (LSRs) ended, and noted the Senate filing period ends soon. Trustee Merrifield then reported staff identified 11 LSRs that are relative to NHRS, and they continue to monitor others that may possibly affect the retirement system. He gave an update on the Retirement Benefits Commission, which met twice in the last month, but had no votes to recommend any actions. The Commission is scheduled to meet this Thursday, October 12. He turned to Attorney Cavanaugh for an update on the Private Letter Ruling (PLR) to the IRS pertaining to the 2021 House Bill (HB) 2 on the medical subsidy payment process. Attorney Cavanaugh reported that the IRS declined to make a ruling on the matter after months of inquiries and NHRS providing requested information. He stated NHRS will notify the NH Legislature that there was no ruling and contact the Department of Administrative Services (DAS) with the result. Attorney Cavanaugh mentioned there is no change to the current order of the medical subsidy payment process, and there would not be unless it is proposed in legislation. With no further discussion, Attorney Cavanaugh returned the floor to Trustee Merrifield, who requested Marty Karlon, Director of Communications and Legislative Affairs, to provide any other updates, and

he had none to add.

Trustee Martins reported on the Benefits Committee, which met September 27 and referred to Attorney Cavanaugh's presentation of the annual Gainful Occupation (GO) Report for the Committee's review, noting that Attorney Cavanaugh provided an overview on the GO reporting process and the CY 2022 results, which were consistent with past years and noted there was an increase of allowable earnings due to inflation in 2021 and 2022. The Committee voted unanimously to recommend that the Board vote to authorize staff to implement the offsets and excess earnings and non-compliance withholdings, as described in the report. Trustee Martins mentioned the Committee went into non-public session to discuss a disability matter. Upon return to public session the Committee voted unanimously to recommend to the Board to rescind its prior reward of an Ordinary Disability Retirement (ODR) benefit. This will be brought to the Board for a vote at the November meeting.

On a motion by Trustee Martins, seconded by Trustee Mezzapelle, the Board voted unanimously to accept the recommendation of the Benefits Committee that the Board approve the Calendar Year 2022 Gainful Occupation Compliance Report, as presented.

Trustee Hannan next gave a brief report on the PPCC, noting it has not met since last month.

The Board was next presented with an analysis of the long-term Capital Market Assumptions (CMA). Mr. Leveque spoke briefly about why Callan, the retirement system's investment consultant, is presenting today on the CMA and introduced the team and representatives from Callan. Angel Haddad, Senior Vice President of Callan, introduced Jay Kloepfer, Callan's Executive Vice President and Director, who provided a detailed overview of Callan's methodology. This presentation was part of an assessment of NHRS's strategic asset allocation review to be presented to the Board at a future meeting. Following that presentation, a Trustee inquired about how fossil fuel investment might factor into the CMAs. Mr. Haddad commented on how the CMA generally takes into consideration the market volatility of certain investments, such as fossil fuels, when estimating the asset class assumptions.

Chair Lesko turned to Executive Director Goodwin for her operating report. She began by noting the KPMs were at 100% for the month, and thanked management and staff for their work. She cited the 12-month rolling average, which has been well above the 95% benchmark for several months. She announced the start of PGV3 parallel processing, which began October 9, as part of the implementation of the new data system. She explained that prior to parallel, NHRS was operating in a blackout period, which prevented staff from using PGV2 or PGV3, and blocked employers from using the Data Reporting System (DRS) to report to NHRS, while LRS converted 378 million records from PGV2 into PGV3. Employers began filing their September reports on Monday. Finance, and LRS, who are on site, have been fielding questions to assist staff and employers with the transition to the new system. Ms. Goodwin reported that the implementation of new legislation from 2023 is on hold until after parallel processing. She provided an update on employer XML test files, noting there are approximately 10 that NHRS seeks to obtain.

Ms. Goodwin informed the Trustees of three consulting contracts with former employees to assist with finance and PIO matters relating to the PGV3 transition. It is anticipated that the total costs will be well within the Executive Director's limits under the Procurement Policy. Further disclosure of the final costs and rationale for sole sourcing will be provided to the Board at the end of the engagement period.

Ms. Goodwin then presented the annual Call Firefighter Report on behalf of Finance Director Marie Mullen. She referred to the legislation last fall that provided an additional \$40,000 from the general fund to support the benefit. As of June, the balance of the allocated funding, with the \$40,000, was

\$52,000. Earlier this year, NHRS was providing benefits to two Call Firefighter beneficiaries, and one beneficiary has since died, resulting in a reduced amount of funds necessary to allocate for the benefit. Any remaining monies from the additional \$40,000 will go back into the general fund. She provided an update on the Contact Center, which continues to achieve its monthly goal. She noted she continues to receive favorable feedback from her monthly calls to employers, members, retirees, and beneficiaries on NHRS' customer service. She referred to her action plan and presented the NHRS Dashboard on behalf of Ms. Mullen. Lastly, she mentioned that, for the first two weeks of parallel processing, all staff will be on site, along with LRS. After the two-week period, staff will return to a hybrid schedule to conduct remote testing of PGV3.

A Trustee inquired about the actuarial funding rate in relation to the allocation between what is currently funded and what is unfunded. Ms. Goodwin noted the shortfall amount is approximately \$5.7 billion, noting the actuarial fund is a 30-year amortization, with 18 years remaining. A brief discussion followed on layered amortization.

Mr. Leveque gave his report on Investments, noting his team achieved six of the 10 KPMs, noting four were not applicable for the month. He then summarized the agenda for today's IIC meeting, which immediately follows the Board meeting.

Rosamond Cain, Director of Human Resources, gave her HR report, noting the department achieved all four of its KPMs for the month. HR is recruiting for two positions: Investment Officer, and an Executive Assistant, which is a confidential position, as approved by the union. HR is also working with ADP on performance appraisals to streamline the current manual process to a fully electronic one. She reported on training for the HR Generalist, who has a new title, and will be responsible for tracking employee leave time that Ms. Cain previously performed. In closing, she noted HR is planning trainings for all staff for next year.

On behalf of Deputy Director and Chief Legal Counsel Tim Crutchfield, Attorney Cavanaugh presented the legal report. He began with a discussion of the possible delegation of the Consent Agenda for approved disability applications to the Benefits Committee to accommodate the Board's new meeting schedule starting in 2024. He conveyed that the Legal Department had reviewed the statute and consulted with Groom Law, the NHRS outside fiduciary and tax counsel, on what actions are permissible for the Board relative to delegating duties to subcommittees. Groom Law confirmed that the Board has the authority to delegate pursuant to its general powers of administration under RSA 100-A:14. Attorney Cavanaugh then gave an overview of how the delegation would be implemented, noting the Governance Committee would review the Benefits Committee Charter, make any necessary amendments to affirm its powers, and recommend the revised charter to the Board at its November meeting.

Some discussion followed regarding the opportunity for a disability applicant's right to appeal and the notification process to the member of that right. Trustee Merrifield encouraged the Board to review the relevant sections of the statute, including Section 100-A:1, A:6, A:14 and A:14-a, regarding delegation by the Board. Chair Lesko reminded Trustees that any Board member can attend any committee meetings.

Mr. Karlson gave his PIO report, beginning with a summary of the communications and trainings outreach on PGV3, which, to date, has included extensive written documentation on how to perform certain things online; development of reporting and insurance slides for multiple types of employers; and holding about 25 employer presentations. He provided the Board with a list of other projects that PIO and a contracted former employee are working on, including aspects of the PGV3 project that is not included in parallel processing, such as the new version of My Account, which goes live in December. Mr. Karlson explained that PIO will roll out communication incrementally on My Account 2.0 to prevent oversaturation of access to the system, starting with retirees because the

1099-Rs needed for tax filing purposes will be distributed in January via My Account. Lastly, he noted his department met all applicable KPMs for the month.

Mr. Laferriere opened his IT report with cyber security awareness, noting IT regularly conducts phishing tests and stated no extra training for staff was necessary in August. He commented on the completion of the onboarding of the new Managed Security Service Provider (MSSP), Green Pages, which is now called Blue Mantis. He noted IT is working with the MSSP to create new phishing exercises for staff. In addition, he commented on the implementation and monitoring of infrastructure security monitors and patching deployment and noted the advantages of having an MSSP. He gave a summary of the MSSP's recent activities and steps to maintain high security for the retirement system.

He reported IT scored 100% on customer satisfaction and met all eight of its KPMs. He also gave an update on several projects. He noted his department is now fully staffed, and gave an overview of upcoming projects, including an AI chat bot. Lastly, he noted his action plan, which is on track.

Following his report, Mr. Laferriere presented to the Board the AI chat bot and explained how it would work on the NHRS website and demonstrated what it can do to answer retirement-related questions and how it responds to non-retirement-related ones. He explained how the bot was developed and the training involved for it to pull accurate information from internal existing sources: NHRS documentation and the website.

A healthy discussion on the validity of the information the bot retrieves and how the bot could be a benefit to the general public, aside from NHRS members, and the ability to include a legal disclaimer to protect NHRS from what information the bot shares. Mr. Laferriere displayed various settings on the slide presentation to show how IT can monitor the bot and track statistics on the information the bot retrieves. He mentioned the bot would be trained every 24 hours to keep it updated on current NHRS information.

Chair Lesko next presented the travel reports and requests, and there were none.

Ms. Goodwin provided an update on Action Items from the September 12, 2023, Board meeting, noting everything will be completed at the conclusion of today's meeting.

During the Board checkpoint, Chair Lesko requested that Trustees think about what information the Board would want to receive between the months that it meets in 2024.

With no further business to discuss, on a motion by Trustee Merrifield, seconded by Trustee Martins, the Board voted unanimously to adjourn the meeting at 12:14 p.m.

Respectfully submitted,

Christine McKenney
Communications Specialist

NHRS Board of Trustees

Minutes – November 14, 2023

Note: These minutes from the November 14, 2023 Public Session were approved and executed at the December 12, 2023 Board of Trustees meeting.

Board of Trustees

November 14, 2023

Public Minutes

New Hampshire Retirement System

54 Regional Drive

Concord, New Hampshire 03301

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

Staff: *Jan Goodwin, Executive Director; Timothy Crutchfield, Deputy Director and Chief Legal Counsel; Rosamond Cain, Director of Human Resources; John Laferriere, Director of IT; Raynald Leveque, Chief Investment Officer; Mark F. Cavanaugh, Associate Counsel and Compliance Officer; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Deanna Higgins, Contact Center Supervisor; Greg Richard, Senior Investment Officer; Shana Bilech, Investment Officer; Diana Crichton, Hearings Examiner; and Christine McKenney, Communications Specialist.*

Guests: Heidi Barry and Jeffrey Tebeau of Gabriel, Roeder, Smith & Co. (GRS), and Attorney David Levine of Groom Law Group.

Chair Tim Lesko called the November 14, 2023, regular meeting of the NHRS Board of Trustees to order at 9:30 a.m. and after establishing a quorum, he called for a vote to approve the October 10, 2023, Board meeting minutes. On a motion by Trustee Roy, seconded by Trustee Mezzapelle, the Board voted to approve the meeting minutes, with Trustee Frederick abstaining.

Trustee Quigley arrived at 9:31 a.m.

Trustee Mezzapelle gave the report of the Audit Committee, which met this morning prior to the Board meeting. The Committee heard an update on the Benefit Administration Audit. The NHRS external audit is under way, and the system's external auditor, Plante Moran, is expected to attend next month's Audit Committee meeting to present the results. The Committee reviewed the Annual Ethics Survey Report and will bring the report before the Board at its December meeting. Lastly, Trustee Mezzapelle presented the amended Fraud Policy, with minor edits that the Committee voted to approve and recommend to the Board last month.

During the Audit Committee report, at approximately 9:34 a.m. and 9:40 a.m., Trustees Martins, and Hannan, respectively, joined the meeting.

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

Trustee Roy provided an update on the Governance Committee, which met on October 31, 2023. In response to the Board's recommendation at its October meeting on the initial delegation of the disability retirement applications to the Benefits Committee, the Committee reviewed the Benefits Committee Charter. Following that review, the Committee unanimously voted to recommend to the Board that it approve the Benefits Committee Charter revisions relative to this delegation.

On a motion by Trustee Provost, seconded by Trustee Roy, the Board voted to accept the recommendation of the Governance Committee to approve the revisions to the Benefits Committee Charter authorizing the delegation of initial disability applications to the Benefits Committee, as presented, with Trustee Merrifield opposing.

Trustee Roy continued his Committee report, which reviewed the delegation of the annual renewal of the fiduciary and cyber insurance policies. Because of the anticipated timing to receive quotes for these policy renewals in light of the Board's 2024 bi-monthly meeting schedule, the Committee voted to recommend that the Board delegate the Governance Committee to authorize the annual fiduciary and cyber security insurance policy renewals and approve the relative revisions to the Committee charter.

A brief discussion followed regarding the Board's ability to call for a special meeting outside the 2024 meeting calendar to address single issues.

On a motion by Trustee Henry, seconded by Trustee Mezzapelle, the Board voted to accept the recommendation of the Governance Committee to approve the revisions to the Governance Committee Charter authorizing the delegation of the annual renewals of fiduciary and cyber insurance to the Governance Committee, as presented. Trustee Merrifield opposed.

Trustee Kelliher reported on the October 10, 2023, Independent Investment Committee (IIC, Committee) meeting, noting Chief Investment Officer Raynald Leveque gave an update on investment returns through recent time periods, referring to Callan's August 31, 2023, report. He provided updates on holdings within the NHRS portfolio and confirmed asset allocations are within range. Mr. Leveque also reviewed plan liquidity, Russian holdings, and the Work Plan, and the Committee voted unanimously to approve the Work Plan, as presented. Mr. Leveque presented the 2024 IIC meeting schedule, proposing a reduced number of annual meetings from 12 to eight, coinciding primarily with the Board's bi-monthly meetings. The Committee heard an overview from private debt manager Strategic Value Partners (SVP) on its Capital Solutions Fund II, to which the IIC voted unanimously to commit \$50 million, subject to contract and legal review.

In closing, Trustee Kelliher mentioned that Mr. Leveque presented the Draft NHRS Transmittal Letter; Draft Callan Letter; and the Draft GRS Letter for the FY 2023 Comprehensive Annual Investment Report (CAIR) and requested the IIC review the report and provide feedback at its November meeting.

Mr. Leveque reported on performance for NHRS as of September 30, 2023 for various time periods. In closing, he referred to Callan's annual review, noting the June 30, 2023 returns, the total Plan value of \$11.1 billion, and an overview of various asset classes.

Trustee Merrifield opened his update of the Legislative Committee by commending Director of Communications and Legislative Affairs Marty Karlon for his dedication to updating him on legislative activity for reporting to the Board each month. The Legislative Committee did not meet in the past month but plans to meet in January. The Retirement Benefits Commission (RBC) met last

week, and reviewed the actuarial analysis that GRS provided. On an 8-6 vote, the RBC recommended that the Legislature pass a bill that increases the multiplier for Group II Tier B and C members (and future hires) to 2.5% for all years worked in excess of 10 years. The House and Senate LSR filing periods are over and there are 13 titles that are NHRS-related. The House ED&A Committee met November 8, and acted on three 2023 bills held in committee and these bills will be on the consent calendar when the House meets in January. The House deadline to report retained bills is Friday, November 17.

Trustee Martins reported on the Benefits Committee, which had not met since the October Board meeting, and recounted his report to the Board about the Committee's non-public session at its September 27 meeting on a disability matter and its vote to recommend to the Board that it rescind its prior decision to award an Ordinary Disability Retirement (ODR). He referred the Trustees to the Board book materials and requested a non-public session to discuss the matter.

At 9:55 a.m., on a motion by Trustee Hannan, seconded by Trustee Henry, the Board voted unanimously on a roll call vote to enter into non-public session under RSA 91-A:3, II (c) to discuss a disability matter.

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

Upon return to its public session, on a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted unanimously to accept the recommendation of the Benefits Committee to rescind the Board's prior decision to award ODR to member S.D., with the consequence that the member must reapply if he seeks disability benefits in the future.

Trustee Hannan gave a brief report on the PPCC, noting it met last month and heard a staffing update from Human Resources Director Rosamond Cain regarding open positions. The Committee held a non-public session to discuss personnel matters and ended its meeting after returning to public session.

Next, Chair Lesko welcomed Heidi Barry and Jeffrey Tebeau of Gabriel, Roeder, Smith & Co. (GRS), NHRS's actuary, for an actuarial presentation. They presented a comprehensive overview of GRS, its actuarial process specific to the NHRS benefit plan, a new reporting requirement under the Actuarial Standards of Practice, layered amortization, and the total accrued liability.

Next, Attorney David Levine of Groom Law Group, the retirement system's external fiduciary counsel, presented an overview of Trustees' fiduciary duties. Attorney Levine explained the retirement system's legal requirements, the fiduciary framework, and discussed current events.

At 11:37 a.m., Trustee Roy left the meeting.

Chair Lesko turned to Executive Director Goodwin for her operating report. She began with NHRS's effort to maintain a safe and healthy environment relative to COVID-19, noting the seasonal spike in illnesses. She provided the KPM score for the month of 98.5%, noting there was one KPM missed. NHRS is in its second month of the PGV3 parallel processing and LRS is on site for support. As of December 1, PGV3 will be the system of record. Ms. Goodwin informed the Trustees of a \$14,200 contract that she approved, under the Procurement Policy, for climate control in the data center.

Next, Ms. Goodwin reviewed the 12-month KPM average, which is 98%, well above the 95% benchmark. The Contact Center continues to achieve its monthly goal of answering calls within five minutes, with less than a 2% abandon rate. She commented on the useful process of obtaining

feedback from her monthly calls to employers, members, retirees, and beneficiaries on NHRS' customer service. Next, she gave a synopsis of the quarterly results from the FY24 Member Satisfaction Survey. Lastly, she referred to her action plan, which is progressing, and closed by presenting the NHRS Dashboard on behalf of the Director of Finance Marie Mullen.

Ms. Cain presented the Human Resources operating report, commenting on recent hires and her KPMs, noting one missed hiring deadline. HR is using ADP for the Affordable Care Act forms and planning is under way for the NHRS staff holiday party.

Mr. Crutchfield presented the Legal report, beginning with a status update on the NH Supreme Court (Court) case relative to retired Keene school teachers, noting the Court's request for the certified record of proceedings and related transcripts. Following the submission of the certified record and transcripts, the Court will provide a schedule for submitting briefs and oral arguments. Legal met seven of its applicable KPMs. Mr. Crutchfield mentioned that the 2024 Board Action Calendar would be presented at the Board's December meeting. Lastly, he cited an example letter regarding the right to appeal a disability denial in the Board materials.

On behalf of Mr. Karlon, Ms. Goodwin gave the PIO report, beginning with the Finance Insurance Training, which has been completed. Staff are working on a soft launch of the new member account portal, My Account 2.0. Lastly, PIO continues to monitor the potential 2024 legislation relative to the retirement system.

Mr. Laferriere opened his IT report with cyber security awareness, noting an uptick of phishing attacks in general and the vigilance of IT staff to protect the system. The Managed Security Service Provider (MSSP) is fully onboarded with NHRS. IT achieved 100% customer service satisfaction and met all of its KPMs. He provided a status update on several projects and an overview of upcoming plans. In closing, he referred to his action plan, which is on schedule.

Mr. Leveque gave his report on Investments, noting his team achieved eight of the 10 KPMs, two of which were not applicable for the month. He then summarized the agenda for today's IIC meeting, which immediately follows the Board meeting.

Chair Lesko presented the Consent Agenda and on a motion by Trustee Henry, seconded by Trustee Quigley, the Board voted to approve the Consent Agenda as presented, with Trustee Merrifield abstaining from Item 7.

There were no travel reports or requests.

Ms. Goodwin gave the status of the Action Items from the October 12 Board meeting, noting everything will be completed after today's meeting except for Item 1.

During the Board Checkpoint Discussion, Chair Lesko discussed the pacing of the 2024 Board meetings and the delegated matters, and a robust discussion ensued on the new schedule and fiduciary responsibilities.

With no further business to discuss, on a motion by Trustee Maloney, seconded by Trustee Frederick, the Board voted unanimously to adjourn the meeting at 11:54 a.m.

Respectfully submitted,

Christine McKenney
Communications Specialist

NHRS Board of Trustees

DRAFT Minutes – December 12, 2023

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

**Board of Trustees
December 12, 2023**

DRAFT Public Minutes

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

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

Staff: *Jan Goodwin, Executive Director; Timothy Crutchfield, Deputy Director and Chief Legal Counsel; Rosamond Cain, Director of Human Resources; Marty Karlon, Director of Communications & Legislative Affairs; John Laferriere, Director of IT; Raynald Leveque, Chief Investment Officer; Marie Mullen, Director of Finance; Mark Cavanaugh, Associate Counsel and Compliance Officer; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Deanna Higgins, Contact Center Supervisor; Greg Richard, Senior Investment Officer; Diana Crichton, Hearings Examiner; Jonathan Diaz, Investment Officer; Jesse Pasierb, Investment Operations Analyst; Mariel Holdredge, Executive Assistant; Christine McKenney, Communications Specialist.*

Guests: Angel Haddad, Senior Vice President, Callan; Jay Kloepfer, Executive Vice President, Callan.

Chair Lesko called the December 12, 2023, regular meeting of the NHRS Board of Trustees to order at 10:30 a.m. and after establishing a quorum, he called for a vote to approve the November 14, 2023, Board meeting minutes. On a motion by Trustee Jason Henry, seconded by Trustee Sue Hannan, the Board voted unanimously to approve the meeting minutes.

Trustee Mezzapelle provided the Audit Committee report, noting the Committee met this morning prior to the Board meeting, during which the Committee heard a presentation from the system's external auditor, Plante Moran, on the results of the Fiscal Year (FY) 2023 audit. She noted there were no significant issues and that Plante Moran planned to issue an unmodified opinion letter on December 15, 2023. She reported that the Committee approved and accepted the Annual Comprehensive Financial Report (ACFR) for FY 23. Trustee Mezzapelle turned the floor over to Director of Finance, Marie Mullen, who gave the Board a high-level overview of the ACFR, providing details and pointing out specific areas of interest in the ACFR. On a motion by Trustee Hannan, seconded by Trustee Maloney, the Board voted unanimously to conditionally accept the recommendation of the Audit Committee to approve and accept the ACFR for FY 23, contingent upon receipt of Plante Moran's audit opinion.

Trustee Mezzapelle reviewed the results of the annual ethics survey report. This year's responses revealed no concerns, and the percentage of responses were in line with expectations. On a motion by Trustee Roy, seconded by Trustee Henry, the Board voted unanimously to accept the recommendation of the Audit Committee to approve the FY 23 ethics survey scorecard. Trustee Mezzapelle closed the Audit Committee report with the results of the audit of the process NHRS follows in regard to right-to-know requests.

Trustee Roy provided the report of the Governance Committee, which had not met since the Board's November meeting, but would meet next month to review and act upon the renewal of NHRS's fiduciary insurance coverage, as delegated by the Board last month.

Trustee Kelliher gave her report on the November Independent Investment Committee (IIC, Committee) meeting, noting Chief Investment Officer Raynald Leveque gave an update on investment returns through recent time periods, referring to Callan's recent monthly reviews. He proceeded to report on cash flows, liquidity, and the status of illiquid Russian assets. The Committee voted unanimously to approve the 2024 IIC meeting schedule. The Committee also voted unanimously to approve the Investment Management Agreement with Wellington Management for a five-year term. Mr. Leveque presented the 2023 NHRS Strategic Asset Allocation (SAA) review dated November 2023. He then discussed the goals of the SAA review, which was conducted over nine months by NHRS staff in conjunction with Callan, the retirement system's investment consultant. He outlined and presented the evaluation of three potential policy portfolios: A, B, and C, for the NHRS long-term policy portfolio and presented his recommendation, Portfolio B. He discussed potential staffing changes to accommodate the recommendation and mentioned staff is finalizing the strategic plan for investments, to be presented in 2024. The Committee then heard from representatives of Callan on the three potential portfolios and recommendations. The Committee then voted unanimously to recommend the development and eventual implementation of portfolio B to the Board of Trustees. Lastly, the IIC reviewed the FY 23 Comprehensive Annual Investment Report (CAIR), which it conditionally voted to approve, subject to the addition of materials from the ACFR.

Trustee Kelliher then turned the floor over to Mr. Leveque who reported on the investment performance as of October 31, 2023.

Next, Mr. Leveque then discussed the memorandum from the IIC, Investment Team, and Callan (fund's investment consultant) to the Board recommending a new strategic asset allocation policy for the NHRS. Mr. Leveque reviewed the proposed changes to the current long-term policy portfolio, reducing public equities from the current 50% to 40%, with a corresponding 10% increase in alternative investments (Private Credit and a new asset class, Infrastructure) from the current 15% to 25%. Mr. Leveque discussed the several months of work led internally by the NHRS Investment Team, with support on the analytical tools, data, and optimizations from Callan.

The proposed policy portfolio is expected to generate a similar return to our current asset allocation but with a lower expected risk (volatility) or standard deviation. The new asset allocation will have a five-year horizon to be implemented at the start of the next fiscal year on June 30, 2024. Mr. Leveque and the Investment Team will next develop an implementation plan for the IIC that will outline the pacing of investments, specifications of the Infrastructure asset class, benchmarking, and other portfolio construction considerations. A robust discussion ensued on the proposal by the Board.

On a motion by Trustee Provost, seconded by Trustee Roy, the Board voted unanimously to accept the recommendation of the IIC to adopt the proposed strategic asset allocation policy targets.

Chair Lesko called for a motion to approve the CAIR, and on a motion by Trustee Hannan, seconded by Trustee Frederick, the Board voted unanimously to accept the recommendation of the IIC to approve and accept the CAIR for Fiscal Year 2023.

Trustee Merrifield then gave the Legislative Committee report, stating it had not met since the November Board meeting but plans to meet next month.

Trustee Martins presented the report of the Benefits Committee, stating that it had not met since the November Board meeting, but will meet next month to review that month's Consent Agenda items per the Board's delegation in November.

Trustee Hannan gave the PPCC report, stating it had not met since the November Board meeting but plans to meet in the next couple of weeks.

Chair Lesko turned to Executive Director Jan Goodwin for her operating report. Ms. Goodwin commenced by introducing the new NHRS Executive Assistant Mariel Holdredge, and commended Christine McKenney, who served for many years as Board liaison and transitions to her new position as an NHRS Communications Specialist.

The Executive Director then reported the monthly Key Performance Measures (KPMs) monthly score was 98.5%, noting there were two KPMs missed, both due to the same issue regarding a refund. She proceeded to provide an update on Pension Gold Version 3 (PGV3), noting the project is 89% completed and is now NHRS's official system of record. Ms. Goodwin added that as part of going live with PGV3, NHRS will be transitioning from the PGV2 version of MyAccount to the PGV3 version this month. Ms. Goodwin went on to report that the Executive Team is in the preliminary stages of assessing space options for NHRS in advance of the expiration of NHRS's five-year lease in March 2026. Next, Ms. Goodwin reviewed the 12-month KPM average, which is 97.84%, above the 95% benchmark. She then reported that all three of the Executive Director KPMs were achieved this month and provided an update on her monthly calls to members, employers, and retirees, commenting on the continued positive feedback she receives.

She apprised the Trustees of a contract addendum for Board consideration, recapping the expected vs. actual trajectory of PGV3 expenses regarding Change Requests (CRs). CRs are any changes that impact the cost and/or schedule from the original timeline and/or service and have been an expected and budgeted expense throughout the upgrade. In accordance with the Procurement Policy, she requested that staff be authorized to amend the PGV3 contract regarding CRs with funds that have already been budgeted to reflect a "not-to-exceed" amount. On a motion by Trustee Martins, seconded by Trustee Hannan, the Board voted unanimously to approve the procurement of services as presented in the Board materials, subject to contract and legal review.

Deputy Director and Chief Legal Counsel Tim Crutchfield opened his Legal report by updating the Board that Legal achieved six of its KPMs last month. One was missed due to a late refund and the other KPM is on hold due to the PGV3 conversion. He then reported on upcoming plans and projects, as well as a summary of Legal's action plan. In closing, Mr. Crutchfield reminded the Board that he will be sending out the annual request for the Trustees to complete the Statement of Financial Interests as required by statute.

Director of Communications and Legislative Affairs Marty Karlon provided his report on Legislative Affairs and PIO, giving an overview of upcoming projects, including the soft launch of the new My Account portal. A discussion ensued regarding the specifics of information available to retirees on My Account and inquiries about proposed 2024 bills.

Director of Information Technology (IT) John Laferriere opened his operating report with an update on cybersecurity awareness, noting an uptick of phishing attacks in general and the vigilance of IT staff to protect the retirement system. The Managed Security Service Provider (MSSP) is fully onboarded with NHRS and identified no new security issues in November. IT achieved 99% customer service satisfaction and met all its KPMs. Mr. Laferriere provided a status update on several projects and an overview of upcoming plans. In closing, he referred to his action plan, which is on schedule.

Mr. Leveque gave his report on Investments, noting his team achieved six of the 10 KPMs, with the remaining four not applicable last month. Mr. Leveque proceeded to give an overview of the agenda for the IIC meeting, which immediately follows today's Board meeting. He closed out his report with an overview and update on his action plan.

Rosamond Cain, Director of Human Resources (HR), presented her operating report, noting the filling of the Executive Assistant and Investment Officer roles and the ongoing recruitment of an Employer Reporting Specialist. She provided an overview of monthly highlights and developments, including HR's use of ADP to produce 1095-C forms, previously produced manually. Ms. Cain closed by reporting upcoming plans and projects, mentioning the return of leadership coaching for middle managers, and two upcoming all-staff training sessions scheduled for spring of 2024.

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

There were no travel reports or requests.

Ms. Goodwin gave the status of the Action Items from the November Board meeting, noting everything had already been completed or will be by the end of today's meeting.

During the Board Checkpoint Discussion, Chair Lesko presented the need to conduct a Board self-assessment as a best practice in 2024.

With no further business to discuss, on a motion by Trustee Maloney, seconded by Trustee Martins, the Board voted unanimously to adjourn the meeting at 11:59 a.m.

Respectfully submitted,

Mariel Holdredge
Executive Assistant

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods ended June 30, 2023. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended June 30, 2023						
	Market Value \$(Dollars)	Ending Weight	Last Quarter	Fiscal Year	Last 3 Years	Last 5 Years
Net of Fees						
Domestic Equity	\$3,458,714,586	30.36%	6.81%	17.25%	14.21%	9.65%
US Equity Benchmark	-	-	8.39%	18.95%	12.99%	11.36%
Non US Equity	\$2,068,607,480	18.16%	3.98%	19.01%	7.75%	3.97%
Non US Equity Benchmark	-	-	2.44%	12.72%	7.22%	3.52%
Fixed Income	\$2,251,265,208	19.76%	(0.38%)	1.43%	(1.51%)	1.60%
Fixed Income Benchmark	-	-	(0.59%)	(0.04%)	(3.43%)	0.98%
Cash	\$103,085,375	0.90%	1.22%	3.85%	1.34%	1.64%
3-month Treasury Bill	-	-	1.17%	3.59%	1.27%	1.55%
Real Estate	\$1,281,585,654	11.25%	(5.08%)	(7.24%)	11.62%	9.04%
Real Estate Benchmark	-	-	(2.88%)	(10.73%)	7.04%	5.56%
Alternative Assets	\$2,228,343,876	19.56%	3.46%	3.58%	16.27%	11.05%
Alternatives Benchmark	-	-	6.78%	18.22%	13.57%	11.51%
Total Fund	\$11,391,602,179	100.00%	2.68%	8.18%	9.56%	7.06%
Total Fund Benchmark*	-	-	3.56%	9.81%	7.36%	6.93%

* Current Total Fund Benchmark = 30% Russell 3000 Index, 25% Bloomberg Universal, 20% MSCI ACWI ex US, 10% NCREIF NFI-ODCE ValWt Net, 10% Russell 3000 Index +2.0%, 2.5% Bloomberg HY Corp +1.0%, and 2.5% S&P/LSTA Lev Loan 100 +1.0%.

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods ended September 30, 2023. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2023						
	Market Value \$(Dollars)	Ending Weight	Last Quarter	Last Year	Last 3 Years	Last 5 Years
Net of Fees						
Domestic Equity	\$3,341,644,686	30.18%	(3.45%)	17.98%	10.21%	7.66%
US Equity Benchmark	-	-	(3.25%)	20.46%	8.61%	8.99%
Non US Equity	\$1,977,834,164	17.86%	(4.52%)	24.08%	4.04%	2.82%
Non US Equity Benchmark	-	-	(3.77%)	20.39%	3.74%	2.58%
Fixed Income	\$2,188,383,430	19.77%	(2.86%)	2.50%	(3.22%)	0.97%
Fixed Income Benchmark	-	-	(2.88%)	1.61%	(4.68%)	0.34%
Cash	\$88,111,316	0.80%	1.34%	4.71%	1.79%	1.80%
3-month Treasury Bill	-	-	1.31%	4.47%	1.70%	1.72%
Real Estate **	\$1,269,767,688	11.47%	(0.17%)	(7.06%)	11.50%	9.00%
Real Estate Benchmark **	-	-	(2.88%)	(10.73%)	7.04%	5.56%
Alternative Assets **	\$2,205,681,460	19.92%	(0.02%)	3.61%	16.23%	11.03%
Alternatives Benchmark **	-	-	6.78%	18.22%	13.00%	11.18%
Total Fund	\$11,071,422,744	100.00%	(2.45%)	9.18%	7.34%	6.11%
Total Fund Benchmark*	-	-	(1.70%)	12.24%	5.13%	6.03%

* Current Total Fund Benchmark = 30.0% Russell 3000 Index, 25.0% Blmbg:Universal, 20.0% MSCI ACWI ex US, 10.0% NCREIF NFI-ODCE Val Wt Nt lagged 3 months, 10.0% Russell 3000 Index lagged 3 months+2.0%, 2.5% Blmbg HY Corp lagged 3 months +1.0% and 2.5% S&P/LSTA Lev Loan 100 lagged 3 months+1.0%.

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

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

Net of Fees Returns for Periods Ended October 31, 2023									
Composite	Total Fund Weighting As of 10/31/2023	Last Month	Last 3 Months	FYTD	CYTD	LTM	3-YR	5-YR	10-YR
Total Domestic Equity	29.71%	-3.56%	-10.23%	-6.88%	5.27%	4.59%	9.07%	8.72%	9.26%
Domestic Equity Benchmark(1)		-2.65%	-9.08%	-5.82%	9.41%	8.38%	8.61%	9.95%	10.61%
Excess Return		-0.91%	-1.16%	-1.07%	-4.14%	-3.79%	0.46%	-1.24%	-1.35%
Total Non US Equity	17.61%	-3.43%	-10.06%	-7.80%	4.80%	14.60%	3.87%	3.87%	3.03%
Non US Equity Benchmark(2)		-4.13%	-11.35%	-7.74%	0.99%	12.07%	3.03%	3.46%	2.54%
Excess Return		0.69%	1.29%	-0.06%	3.80%	2.53%	0.84%	0.41%	0.48%
Total Fixed Income	19.86%	-1.53%	-4.79%	-4.34%	-1.65%	1.76%	-3.67%	0.93%	1.59%
Bloomberg Capital Universe Bond Index		-1.50%	-4.43%	-4.34%	-2.11%	1.19%	-5.04%	0.21%	1.17%
Excess Return		-0.03%	-0.36%	-0.01%	0.46%	0.57%	1.37%	0.72%	0.41%
Total Cash	0.81%	0.46%	1.36%	1.81%	4.24%	4.93%	1.95%	1.86%	1.24%
3-Month Treasury Bill		0.45%	1.36%	1.77%	4.06%	4.77%	1.85%	1.77%	1.16%
Excess Return		0.01%	0.00%	0.04%	0.18%	0.15%	0.10%	0.08%	0.08%
Total Real Estate (Q2)*	11.66%	-0.10%	-1.18%	-0.27%	-8.43%	-7.14%	11.47%	8.97%	10.66%
Real Estate Benchmark(3)		-0.71%	-2.62%	-3.57%	-11.64%	-11.46%	6.76%	5.28%	7.64%
Excess Return		0.61%	1.44%	3.30%	3.21%	4.32%	4.71%	3.69%	3.03%
Total Private Equity (Q2)*	15.18%	0.00%	0.13%	-0.03%	5.24%	3.15%	19.63%	13.71%	12.24%
Private Equity Benchmark(4)		3.70%	11.47%	12.82%	30.78%	15.12%	16.39%	15.37%	16.24%
Excess Return		-3.70%	-11.34%	-12.85%	-25.55%	-11.97%	3.24%	-1.66%	-4.00%
Total Private Debt (Q2)*	5.17%	0.00%	-0.11%	-0.03%	3.54%	4.96%	8.49%	5.39%	6.71%
Private Debt Benchmark(5)		1.30%	2.97%	4.11%	12.34%	8.08%	4.28%	3.57%	6.31%
Excess Return		-1.30%	-3.02%	-4.14%	-8.80%	-3.11%	4.21%	1.82%	0.40%
Total Fund Composite	100.00%	-2.00%	-6.06%	-4.40%	1.88%	3.79%	6.88%	6.61%	6.59%
Total Fund Benchmark(6)		-1.63%	-5.20%	-3.31%	4.80%	6.20%	4.77%	6.45%	6.72%
Excess Return		-0.37%	-0.86%	-1.09%	-2.92%	-2.41%	2.11%	0.16%	-0.12%

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

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

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

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

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

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

(7) For the trailing 25 year period ended 10/31/23, the Total Fund has returned 6.64% versus the Total Fund Custom Benchmark return of 6.46%.

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

Date: December 4, 2023

To: Board of Trustees

From: Raynald Leveque, Chief Investment Officer

Re: Strategic Asset Allocation Recommendation

Item: Action: Discussion: Informational:

Recommendation

At its November meeting, the NHRS Independent Investment Committee (IIC) unanimously approved the following asset allocation targets for recommendation to the Board of Trustees (Board):

Asset Class	Existing Allocation	Proposed Allocation
Domestic Equity	30%	N/A*
Non-U.S. Equity	20%	N/A*
Global Equity	-	40%
Fixed Income	25%	25%
Alternative Investments		
Private Equity	10%	10%
Private Credit	5%	10%
Real Estate	10%	10%
Infrastructure	-	5%
Total	100%	100%

Source: NHRS

**Domestic Equity & Non-U.S. Equity to be consolidated into a single Global Equity asset class to allow for better management of overall equity exposure.*

For completeness and transparency, the Board materials include all the same materials from the November IIC meeting titled “2023 Strategic Asset Allocation (SAA) Review,” which includes the several months of analysis performed by the CIO and the NHRS Investment Team, led by Senior Investment Officer Gregory Richard, as well as the collaboration with the fund’s general investment consultant, Callan. Callan assisted NHRS with the SAA review and generated the asset-liability and liquidity study for the proposed recommendation accompanying this recommendation.

The IIC, CIO, and Investment Team recommend that the Board of Trustees approve the recommendation illustrated above as the Long-Term Strategic Asset Allocation, which is labeled as Portfolio B in the 2023 Strategic Asset Allocation (SAA) Review. This portfolio can also be found in staff’s recommendation on Page 11.

In summary, the proposal reduces the long-term target allocation to public equity from the current 50% to 40%, with a corresponding 10% increase in Alternative Investments from the current 15% to 25%.

Within Alternative Investments, private credit increases from 5% to 10%, and Infrastructure (**a new asset class**) increases from 0% to 5% (note: no change is recommended to private equity, which remains at 10%).

Callan’s expected rate of return and standard deviation of returns for the proposed target allocation are as follows:

Proposed Return & Risk	
Expected 10-Year Geometric Return	7.2%
Standard Deviation (Risk) of Asset Return	12.3%

The proposed asset allocation generates the same expected return of 7.2% compared to the System’s long-term assumed rate of return of 6.75%, **but with a lower expected volatility of 12.3% versus the current volatility of 13.0%**.

The proposed asset allocation accomplishes the following goals:

1. **Reduces volatility:** Total Plan standard deviation declines from 13.0% to 12.3%
2. **Further diversification:** reallocates 10% of Total Plan assets from public equity to private credit and infrastructure (**thereby increasing our exposure to cash generative assets**)
3. **More consistent returns:** it is expected that the combination of #1 and #2 will result in better risk-adjusted returns

Regarding the new proposed asset class, infrastructure is being recommended to:

- Provide stable and long-term income and will be structured primarily as core and value-add infrastructure (most conservative and moderate risk, respectively) with limited exposure to opportunistic infrastructure investments.
 - **Core:** defined as mature, operating businesses generating cash yield; bond-like defensive assets
 - **Value-Add:** defined as investments with more opportunity for growth than core, but assets still have visible, contracted cash flows

Our Mission: To provide secure retirement benefits and superior service.

- **Opportunistic:** typically, greenfield (new) assets that require significant expenditures for development. These investments have a higher risk profile for the greater expected return than Value-Add investments
- Act as a complement to existing real assets (real estate); to provide additional inflation protection and as an overall diversifier to the broader portfolio.

If the Board approves the proposed asset allocation targets, Staff will then prepare an implementation plan of the new SAA for the IIC, which will include the pacing of investments (how long will it take to reach the target); revision to the asset class benchmarks; risk-return characteristics of the investments, and specification of the Infrastructure asset class for the NHRS Investment Policy statement among other factors.

I look forward to discussing the Investment Committee's recommended asset allocation targets with you at the December Board meeting and providing highlights of the analysis conducted by staff. Callan will join the discussion to provide an overview of the liquidity analysis and asset-liability study that accompanies the SAA recommendation.



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

January 1, 2024

TO: Michael W. Kane, Legislative Budget Assistant

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

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

RE: Quarterly Compliance Notice

Dear Mr. Kane:

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

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

Respectfully,

Jan Goodwin
Executive Director

Raynald Leveque
Chief Investment Officer

2024 NHRS-related LSRs

As of 12/28/23

2024-2376-HB – HB 1211

Relative to part-time employment of a retirement system retiree.

Sponsors: Mark Proulx (Prime)

2024-2047-HB – HB 1267

Relative to prohibiting environmental, social, and governance standards in the selection of government investments.

Sponsors: Mike Belcher (Prime), Sandra Panek, Travis Corcoran

2024-2116-HB – HB 1279

Relative to payment by the state of a portion of retirement system contributions of political subdivision employers.

Sponsors: Michael Edgar (Prime), John Cloutier, Jeffrey Goley, Steve Shurtleff, Michael O'Brien, Timothy Soucy, Chris Muns, Rosemarie Rung, Matthew Wilhelm, Jim Maggiore, Cindy Rosenwald, Rebecca Perkins Kwoka, Debra Altschiller

2024-2227-HB – HB 1299

Relative to group II membership in the retirement system for certain firefighter educators.

Sponsors: Douglas Trottier (Prime), Mike Bordes

2024-2262-HB – HB 1307

Providing a supplemental appropriation for members of the retirement system receiving an accidental disability retirement allowance.

Sponsors: Hope Damon (Prime)

2024-2412-HB – HB 1421

Relative to agents for investment services in the New Hampshire retirement system.

Sponsors: Stephen Pearson (Prime)

2024-2565-HB – HB 1435

Relative to retirement system allowances for former spouses of retirees.

Sponsors: Barbara Comtois (Prime)

2024-2637-HB – HB 1451

Relative to mandatory overtime and the calculation of base rate of compensation.

Sponsors: Carol McGuire (Prime), Jeffrey Goley, Michael O'Brien

2024-3143-HB – HB 1647

Relative to the calculation of group II retirement benefits in the retirement system.

Sponsors: Peter Leishman (Prime); Donna Soucy, Jeffrey Goley, Steve Shurtleff, Dan McGuire, Jaci Grote

2024-2729-HB – HB 1653

Relative to determination of earnable compensation for certain group II retirement system members.

Sponsors: Kevin Pratt (Prime)

2024-2668-HB – HB 1673

Relative to average final compensation for certain group II members.

Sponsors: Kevin Pratt (Prime)

2024-3092-SB – SB 309

Relative to the vesting period for members of the state retirement system.

Sponsors: Donna Soucy (Prime), David Watters, Peter Leishman, Carol McGuire, James Gray

2024-2955-SB- SB 368

Relative to service retirement allowances for teachers and other group I retirement system members.

Sponsors: Donovan Fenton (Prime), Lou D'Allesandro, David Watters, Donna Soucy, Mel Myler, Daniel Innis, Shannon Chandley, Cindy Rosenwald, Suzanne Prentiss, Rebecca Whitley, Rebecca Perkins Kwoka, Debra Altschiller

2024-2868-SB- SB 520

Relative to the fiduciary duty and proxy voting activities of public retirement systems.

Sponsors: Bill Gannon (Prime), Sharon Carson, Kevin Avard, JD Bernardy, Howard Pearl, Keith Murphy