



New Hampshire Retirement System
54 Regional Drive, Concord, NH 03301
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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 – July 1, 2023

Dear Senator Pearl and Representative McGuire:

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

Here is a summary of NHRS activities during the quarter ending June 30, 2023:

- Five bills related to RSA 100-A, the NHRS enabling statute, were passed by the House and Senate, four of which have been signed into law with the final bill expected to be sent to the Governor soon.
- The Board in June approved the Fiscal Year 2024 three-year Strategic Plan. This Plan is updated annually and identifies the key objectives to be achieved over the next 36 months.
- Jason Henry, superintendent of the Rockingham County Department of Corrections, was confirmed as the county employer representative on the NHRS Board in May by the Executive Council.
- Brian Bickford, a senior vice president at Cambridge Trust in Manchester, was confirmed to the Independent Investment Committee in June by the Executive Council.
- The multi-year upgrade of the NHRS pension database (“PGV3”), which began in January 2019, is now 79% percent complete and remains on track to “go live” at the end of this calendar year.

In addition to this cover letter, the report contains:

- An executive summary of NHRS Board and staff activity from April through June.
- The minutes of the following Board meetings: April 13, 2023; May 9, 2023; June 13, 2023 (draft).
- Investment information on Total Fund through March 31, 2023, which is the most recent quarterly data available.
- Monthly investment information through April 30, 2023, which is the most recent data available.
- FY 2024 NHRS Strategic Plan.
- A tracker of NHRS-related legislation.

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

Respectfully,

Jan Goodwin
Executive Director

cc: Office of Governor Christopher Sununu

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

April 11, 2023, to June 13, 2023

At the April 11, 2023, regular monthly meeting of the NHRS Board of Trustees, the Board heard a detailed presentation from NHRS' IT Project Manager Tracy Knight and the lead Pension Gold Version 3 (PGV3) representatives from Levi, Ray & Shoup (LRS), the software vendor for Pension Gold, on Parallel Processing. Parallel Processing, which involves staff and participating employers entering data into the current system and the new system simultaneously, begins in October and is expected to run for two months. Parallel Processing is needed to ensure that the new software is doing what it's supposed to be doing and generating the same data and calculations as the current version.

The Board received an update on pending legislation from Trustee Ken Merrifield, chair of the Board's Legislative Committee, and Marty Karlon, NHRS' Director of Communications & Legislative Affairs. Mr. Karlon noted that some proposals, if adopted, would require significant reprogramming of Pension Gold and could impact the timeline of transitioning to PGV3, which is currently scheduled to occur in early December of this year.

The Board voted unanimously to adopt revisions to the Voluntary Compliance Program (VCP) Policy regarding required minimum distributions, which were needed as a result of recently passed federal legislation, SECURE 2.0.

At the May 10, 2023, regular monthly meeting, the Board received a presentation from Executive Director Jan Goodwin on the proposed FY 24 Strategic Plan, which is a three-year plan reviewed by Trustees annually pursuant to the Strategic Plan Policy. She first referred the Trustees to the Preserve, Achieve, and Avoid (PAA) document in the Board materials, which includes staff's suggested changes and updates. Ms. Goodwin requested that the Board review the PAA document over the next two weeks and provide feedback prior to the June Board meeting. She noted the primary focus remains PGV3 for the near future.

Trustee Merrifield reported that the Governor signed two NHRS-related bills the prior week: House Bill 30, which allows county commissioners to exempt their chief administrative officers from mandatory membership in the System at the time of hiring; and House Bill 193, NHRS's legislative cleanup bill.

At the June 13, 2023, regular monthly meeting the Board voted unanimously to accept the FY 24 Three-Year Strategic Plan, as presented.

Executive Director Jan Goodwin welcomed recently appointed Trustee Jason Henry, Superintendent of Rockingham County of Corrections.

Throughout the quarter, the Board received regular monthly updates on the status of the retirement system's multi-year pension software upgrade project (PGV3), which will replace the current 21-year-old system (PGV2) NHRS is currently using. The project is 79 percent completed.

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

NHRS Board of Trustees

Minutes – April 11, 2023

Note: These minutes from the April 11, 2023, Public Session were approved and executed at the May 9, 2023, Board of Trustees meeting.

Board of Trustees

April 11, 2023

Public Minutes

New Hampshire Retirement System

54 Regional Drive

Concord, New Hampshire 03301

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

Absent: *Trustee Andrew Martineau.*

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

Guests: *Jack Blonski, LRS Senior Project Manager; and Shawn Farris, LRS Senior Manager.*

Chair Tim Lesko called the April 11, 2023, regular meeting of the NHRS Board of Trustees to order at 10:00 a.m., and after establishing a quorum, Chair Lesko called for a vote to approve the minutes of the March 14, 2023, Board meeting. On a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted to approve the meeting minutes, with Trustee Jon Frederick abstaining.

Trustee Mezzapelle began her report of the Audit Committee, which met earlier this morning, stating the Committee heard internal audit updates, and noted the outstanding audits on the internal audit tracker, adding that several items have been put on hold while parallel processing for Pension Gold Version 3 (PGV3) takes priority. She mentioned the Audit Plan, noting the commencement of work on the FY 23 GASB Census Data Audit. The Committee reviewed the updated data risk management information and items for the FY 24 Audit Plan, which the Committee will vote on at its May meeting. In closing, Trustee Mezzapelle reported the Committee heard from Finance Director Marie Mullen regarding the FY 22 opportunities letter from Plante Moran and that the recommended changes would be implemented by the fiscal year end.

Trustee Roy reported on the Governance Committee, noting it met on March 6 and reviewed proposed staff revisions to the Voluntary Compliance Program (VCP) Policy regarding the required minimum distributions resulting from the recently passed federal legislation, SECURE 2.0. He noted the System's external legal counsel, Groom Law Group, also reviewed the revisions to the Policy. The Committee voted unanimously to recommend to the full Board that it adopt the proposed revisions. On a motion by Trustee Maloney, seconded by Trustee Roy, the Board voted unanimously to accept the recommendation of the Governance Committee to approve the revisions to the VCP Policy as presented.

Trustee Kelliher gave her report on the March 14, 2023, Independent Investment Committee (IIC, Committee) meeting. The Committee heard from Chief Investment Officer Raynald Leveque, who provided an update on investment returns through recent time-periods, referring to Callan's January 31, 2023, review. He gave updates on holdings within the NHRS portfolio, rebalancing, liquidity, and the Russian holdings, as well as the status of Silicon Valley Bank (SVB) and Signature Bank, which NHRS holds minimal exposure to, and staff continues to monitor the situation and will report to the Committee as needed. Trustee Kelliher reported that the Committee discussed and voted unanimously to recommend revisions to the NHRS Proxy Voting Policy to the Board of Trustees.

She stated the Committee unanimously voted to extend the contract with Manulife for a five-year term through February 2028. Manulife, who manages \$200 million in a fixed income strategy for the System, gave a presentation at the Committee's March meeting as part of its contract renewal. Also at the March meeting, the Committee heard two other presentations, one from BlackRock on geopolitical risks, and the other from Morgan Stanley on global macroeconomics and its view on asset allocations. A Trustee inquiry on rising interest rates led to a brief discussion on the System's fixed income allocation and rebalancing plan.

Trustee Kelliher then turned to Mr. Leveque, who reported on the NHRS performance as of February 28, 2023, noting the Total Fund return for the month was -1.57%, down 1 basis point from the policy benchmark of -1.56%. NHRS's FY 23 total fund performance fiscal year-to-date (FYTD) outperformed the policy benchmark by 146 basis points, with positive returns for 3-, 5-, and 10-year periods. He noted the long-term performance of the last 12 months, with the System outperforming the benchmark by 360 basis points. He gave an update on the rebalancing, anticipating it will be completed in April 2023. Mr. Leveque closed his report with a review of the NHRS during the fourth quarter 2022, noting positive performance of the five-year attribution analysis versus policy benchmark for the total plan. On a motion by Trustee Quigley, seconded by Trustee Provost, the Board voted unanimously to approve the recommendation of the IIC to approve the revisions to the Proxy Voting Policy as presented.

Trustee Merrifield began the report of the Legislative Committee, which met April 4, noting the Committee heard a presentation on legislative activity from Director of Communications and Legislative Affairs Marty Karlon. Trustee Merrifield gave a synopsis of three bills that will be included as part of House Bill (HB) 2, the budget trailer bill. They are HB 50, a one-time appropriation of \$50 million toward the System's unfunded liability in FY 23; HB 436, the adjustment of benefits for Group II, Tier B members; and HB 571, a one-time payment to retired Group II members or their beneficiaries who have been retired for more than 10 years. He then turned to Mr. Karlon, who provided an update on the most recent legislative action, including the

System's legislative cleanup bill, HB 193, which the House ED & A Committee voted to recommend as ought to pass (OTP), with the Senate to vote on the bill this week. Mr. Karlon then gave an explanation on HB 1587, a bill passed last year that modified the average final compensation for certain Group II members and required the Board of Trustees to certify the actuarial costs associated with the modification. He referenced his memo and a letter from GRS, the System's actuary, as presented in the Board materials. Trustee Mezzapelle, State Treasurer, clarified that there was nothing noted by law that would require her to recuse herself from voting on the matter and on a motion by Trustee Merrifield, seconded by Trustee Hannan, the Board voted unanimously to certify the amount of \$42.9 million, as determined by GRS per HB 1587, in order for the Director of Finance to initiate a request for reimbursement, as presented.

Trustee Martins delivered a brief update of the Benefits Committee, noting it had not met since the March Board meeting.

Trustee Hannan reported on the PPCC, which met on March 22 and April 10. At the March meeting, the Committee reviewed the Executive Director evaluation process and heard staffing updates on open positions from Director of Human Resources Rosamond Cain and the status of temporary staff who are assisting with the PGV3 project. During its April meeting, the PPCC voted on the March meeting minutes and then entered non-public. At approximately 10:24 a.m., Trustee Hannan requested the Board enter non-public session. Chair Lesko asked for a motion that the Board enter non-public session, under RSA 91-A:3 II(c) to discuss matters that would likely adversely affect the reputation of a person other than a member of this public body. On a motion by Trustee Maloney, seconded by Trustee Martins, the Board voted unanimously by roll call vote to go into non-public session. On a motion by Trustee Mezzapelle, seconded by Trustee Kelliher, the Board voted unanimously on a roll call vote to conclude the non-public session at approximately 10:32 a.m. No action was taken during the non-public session.

Chair Lesko opened the return of the public session by welcoming NHRS's IT Project Manager Tracy Knight and the lead Pension Gold Version 3 (PGV3) representatives from Levi, Ray & Shoup (LRS), the software vendor for Pension Gold, to present on Parallel Processing. Parallel Processing, which involves staff entering data into the current system and the new system simultaneously, begins in October. Executive Director Goodwin introduced Jack Blonski, LRS Senior Project Manager; and Shawn Farris, Senior Manager, Implementations, who each spoke briefly of their history of working at LRS and with NHRS on PGV3. Mr. Farris provided an explanation of Pension Gold (PG), the software NHRS uses daily to manage important tasks such as calculating member benefits, service purchase credits, benefit payroll, and facilitating employer reporting. NHRS has been using PGV2 for about 20 years. He noted that since January 2019, LRS and NHRS have been working together to design and test various deliverables of PGV3 to help improve and streamline the System's daily operations. Ms. Knight then presented an overview of the project and what improvements NHRS will see in PGV3, including enhanced security and self-service capabilities for members, ease of processes, and better workflow for staff. Mr. Blonski provided the key components necessary to execute parallel processing, as well as the posed risks and how to mitigate them. Ms. Knight closed the presentation with the expectations after NHRS goes live with PGV3 in December and noted the 12-month warranty period on the PGV3 software and the continued support available from LRS.

Chair Lesko thanked Ms. Knight and the LRS representatives for an informative

presentation and with no further discussion, turned to Ms. Goodwin to begin the Operating Reports. Ms. Goodwin opened her Executive operating report with the KPMs, which came in at 97.59% for the month, with two failed KPMs agencywide, and mentioned the 12-month rolling average, which ranks well above the 95% benchmark. She gave the latest update on the PGV3 project, noting it is 76% complete, with Deliverable 6 (D6) (Year-End Processes, Auditing, and Security) at 95% complete. She stated D7 (Member Direct-MyAccount) is 11% complete; meetings are underway on the design review for this deliverable; and staff continues to work on the final, identified workflow. Ms. Goodwin reported on the progress of the employer XML test files, noting that staff is reviewing them to ensure they work in the new system. She mentioned ongoing meetings with LRS in preparation for parallel processing and identified HB 436, which could potentially delay parallel processing, if passed.

She informed Trustees of a five-year contract she approved in accordance with the Procurement Policy to lease four copiers at \$5,802 per year. She gave an update on the Contact Center, which continues to achieve its monthly goal of answering phone calls within 2 minutes, and less than a 5% abandon rate. Ms. Goodwin affirmed the positive responses she receives from her monthly calls to members, employers, and retirees. She then gave an overview of two sole-source contracts, one from Investments for up to two additional Bloomberg terminals and one from IT for a new generator. On a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted unanimously to approve the procurement of goods and services as presented in the Board materials, subject to contract and legal review, as presented. Ms. Goodwin closed her report with her action plan, noting four of her five items are in process as planned, with the fifth item on hold due to competing interests with PGV3.

Following her report, a brief discussion ensued on the breadth and depth of the PGV3 project, as well as consideration of the 12-month warranty after its implementation.

Director of Member Services Nancy Miller updated the Board on her department, noting its continued work on PGV3 and preparations for parallel processing. She informed the Board that the vacant position in Member Services was filled this week. She reported that the adjusted payments for those retirees whose taxes were underwithheld in January will be made in April's payroll. Ms. Miller noted her department met all 21 of its KPMs in March. Lastly, she mentioned she has a team in place to manage the increased volume associated with July retirement filings, and noted her updated action plan.

A Trustee inquiry on filing for retirement led to a robust discussion of the topic, including the availability of information to members about when and how to file, and the options and requirements for disability retirement.

Director of Finance Marie Mullen gave her Finance report, noting her department's achievement of meeting 10 of the 15 KPMs in March, adding that three of the 15 KPMs were not applicable. Of the two missed KPMs, one had to do with banking reconciliation and was missed because Finance was training a new staff member on the process, and the second was relative to employer account reconciliation and was missed because Finance had not received payment from two employers for timely completion. She commented on cash flows for February 2023 and FYTD, which were each in the expected range and mentioned receipt of State reimbursement from the general fund of \$10,792,000.00 in March for the legislation passed last year for the one-time \$500 COLA payment. She reported the 2023 FYTD spending is below budget, noting several categories that are overbudget because they relate to quarterly and annual expenses, and expects those areas to resolve by fiscal year end. Ms.

Mullen reviewed the PGV3 budget, noting spending is below budget FYTD and overall. In closing, she reported everything is on track or completed on her action plan, aside from a couple of items that are on hold and another item that is not applicable.

Ms. Cain opened her report with the work her department is doing with the new payroll vendor, ADP, in time for the May 5 “go-live” date. She mentioned that the System reached out to a new consultant to obtain a quote for assisting NHRS with the job evaluation process and anticipates having a proposal for the Board next month. Ms. Cain commented that NHRS used to work with the Hay Group and implemented its review and redesign method about 20 years ago. The System seeks to update and streamline assessing positions with appropriate salaries into the wage schedule.

Deputy Director and Chief Legal Counsel Tim Crutchfield began his Legal report with a status update on the ongoing lawsuit filed by five Department of Corrections’ employees who believed they should have been reclassified from Group I to Group II approximately 20 years ago. The System awaits a hearing date on the matter. Mr. Crutchfield reported that Legal met seven of its eight KPMs this month, noting the one missed KPM, relative to the average number of employer audits performed over a rolling 12-month period, has been put on hold because of competing priorities with PGV3. He commented on the annual reporting of retirees and their hours worked, noting there are 25 employers who have not yet filed their reports and NHRS will send out penalty letters next week. Lastly, he gave an overview of upcoming plans and projects, and noted four of the seven items on his action plan have been completed, and the other three items are progressing.

Mr. Karlon gave his report on PIO, commenting on the work his team has been doing on monthly employer reporting relative to PGV3, planning and scheduling at least 23 training events for employers, as well as planning events for insurance and retiree reporting after parallel processing commences. His department is also monitoring legislation that could impede the PGV3 project and parallel processing and making plans, should legislation pass, to update relevant member and employer materials. Lastly, he reported PIO met its KPMs for the month.

John Laferriere, Director of IT, presented his operating report, beginning with cyber security awareness and the monthly phishing tests, noting there were no staff failures in March. He provided an update on system management, including the ability to perform remote and on-premises patching, as well as IT’s review of the Password Policy and meeting NIST 800 63-B, the government standard, which increases password security and lessens the need to frequently change passwords. Mr. Laferriere provided the status of the cloud-based phone system project, noting IT is reviewing two vendors for that service. He remarked on the generator replacement approval, noting IT would initiate that project soon, and added that he expects installation of the new copiers would occur by month end. He mentioned that IT deployed secured wireless access points for corporate Wi-Fi availability. In closing, he reported IT met all eight of its KPMs; gave an overview of upcoming projects; stated customer satisfaction was at 100%; and noted his action plan is on schedule.

Mr. Leveque gave a brief operating report on Investments, noting his department met six of the ten KPMs where four were not applicable this month. He then provided an agenda overview of the April IIC meeting, which will occur after today’s Board meeting.

Chair Lesko next presented the Consent Agenda and Trustee Martins requested to discuss Item 9 on the Agenda. On a motion by Trustee Martins, seconded by Trustee Hannan, the Board voted unanimously on a roll call vote to enter non-public session,

under RSA 91-A:3 II(c), to discuss matters that would likely adversely affect the reputation of a person other than a member of this public body. On a motion by Trustee Martins, seconded by Trustee Maloney, the Board voted unanimously on a roll call vote to conclude the non-public session. No action was taken in non-public session.

Upon returning to public session, on a motion by Trustee Roy, seconded by Trustee Hannan, the Board voted to approve the Consent Agenda, as presented, with Trustee Merrifield abstaining on Item 2, and Trustee Quigley abstaining on Item 4.

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the March 14, 2023, Board meeting, noting four items will be completed by the end of today's meeting, and gave an update on two outstanding items: Item 2 in which one employer has not certified its contributions to NHRS regarding HB 1221, and Item 6, the legislative appropriation of call firefighter benefits, which is in process.

During the Board checkpoint, Chair Lesko yielded to Ms. Goodwin who referred to the Conference Resource List in the Board materials and encouraged Trustees to attend upcoming training events designed for both new and experienced Trustees.

With no further business to discuss, on a motion by Trustee Maloney, seconded by Trustee Roy, the Board voted unanimously to adjourn the meeting at 12:10 p.m.

Respectfully submitted,

Christine McKenney
Administrative Assistant

NHRS Board of Trustees

Minutes – May 9, 2023

Note: These minutes from the May 9, 2023, Public Session were approved and executed at the June 13, 2023, Board of Trustees meeting.

Board of Trustees

May 9, 2023

Public Minutes

New Hampshire Retirement System

54 Regional Drive

Concord, New Hampshire 03301

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

Absent: *Trustee Andrew Martineau.*

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

Chair Tim Lesko called the May 9, 2023, regular meeting of the NHRS Board of Trustees to order at 10:31 a.m., and after establishing a quorum, Chair Lesko called for a vote to approve the public and non-public meeting minutes of the April 11, 2023, Board meeting. On a motion by Trustee Roy, seconded by Trustee Frederick, the Board voted unanimously to approve the meeting minutes.

Trustee Mezzapelle began her report of the Audit Committee, which met earlier this morning, stating the Committee heard internal audit updates, including the status of items on the audit tracker and the Fiscal Year (FY) 23 Audit Plan. She mentioned that internal audit is preparing for the GASB 67 & 74 audits. She noted the opinion letter from the System's external auditor, Plante Moran, and a new report generated from the PGM3 test environment that will be used to simplify the GASB audit work. Trustee Mezzapelle reported on the recent testing of a component of the Business Continuity Plan, noting an update is expected on the testing at the Committee's next meeting. She stated the Committee approved the FY 24 Audit Plan and heard a status report from Finance on the FY 22 Audit recommendations, noting Finance would implement the changes by Fiscal Year-end. In closing, she referred to the commencement of the FY 23 Audit and noted that Plante Moran would attend the June Audit Committee meeting.

Trustee Roy reported on the Governance Committee, noting it had not met since the April

Board meeting, but expects to meet in June for the annual review of the cyber insurance renewal and to prepare a recommendation to the Board for its July meeting.

Trustee Kelliher gave her report on the April 11, 2023, Independent Investment Committee (IIC, Committee) meeting. The Committee heard from Chief Investment Officer Raynald Leveque, who provided an update on investment returns through recent time-periods, referring to Callan's February 28, 2023, review. He gave updates on holdings within the NHRS portfolio, rebalancing, liquidity, and Russian holdings. Investment Officer Shana Bilech provided an update on the bank exposure and subsequent bailout of Silicon Valley Bank, continued volatility of the regional bank sector, and the sale of Credit Suisse to UBS. Trustee Kelliher reported that Mr. Leveque presented updates to the Work Plan and following a brief discussion, the Committee voted unanimously to accept the first quarter of the FY 24 Work Plan. She noted the Committee heard presentations from two of the System's equity managers, Wellington and Walter Scott, both of whom discussed their respective relationships with NHRS, strategies, and roles in the portfolio, and investment outlooks.

Trustee Kelliher turned to Mr. Leveque, who reported on the NHRS performance as of March 31, 2023, noting the Total Fund return for the month was +1.10% versus the policy benchmark of +1.15%. NHRS's FY 23 total fund performance fiscal year-to-date (FYTD) outperformed the policy benchmark by 142 basis points. He noted the long-term performance of the last 12 months, with the System outperforming the benchmark by 306 basis points. He gave an update on portfolio performance by asset class and noted that cash flow and the returns for 3-, 5-, and 10-year periods were within range. Mr. Leveque commented on fixed income and the staff's work on implementing the rebalancing plan. A Trustee requested information on the duration of the portfolio's fixed income investments, and a brief discussion followed on the fund's aggregate debt positioning. There was also a brief discussion on the Silicon Valley Bank business profile and subsequent bailout.

Trustee Merrifield began the report of the Legislative Committee, which had not met since the April Board meeting, providing updates on a few bills that are now in House Bill (HB) 2, the budget trailer bill, including HB 436, impacting Group II, Tier B members with certain provisions; HB 50 for a Group II COLA; and the funding of the call firefighter death benefit that NHRS provides to two widows. He commented that Senate Finance would review the bills in the coming weeks and that the deadline for the Senate to act on bills is June 8. Trustee Merrifield reported that the Governor signed two NHRS-related bills last week: HB 30, which allows county commissioners to exempt their chief administrative officers from mandatory membership of the System at the time of hiring; and HB 193, NHRS's legislative cleanup bill. beneficiaries: are three bills on the Senate calendar this Thursday that would not directly affect NHRS: HB 461, which creates a committee to study local employers transferring full-time positions to part-time; HB 457, which requires the System to report on a quarterly basis that it remains in compliance of its fiduciary duty of acting solely in the interests of members and beneficiaries; and HB 555, which would earmark 25% of any future state biennial surpluses to the reduction of the System's unfunded accrued liability. He added that all three bills have committee recommendations as ought to pass. Trustee Merrifield turned to Marty Karlon, Director of Communications and Legislative Affairs, for further comments and he had nothing to add.

Trustee Martins delivered a brief update of the Benefits Committee, noting it met on May 8, during which the Committee heard a presentation from Mr. Karlon on member benefits

education. The Committee then held a non-meeting in accordance with RSA 91-A to discuss legal matters with in-house counsel.

Trustee Hannan reported on the PPCC, which had not met since the last Board meeting, but plans to meet prior to the June Board meeting.

Chair Lesko turned to Executive Director Goodwin to begin the operating reports. She opened her Executive report with the KPMs, which were at 96.47% for the month, with three missed KPMs systemwide. She gave an update on the PGV3 project, which is at 78% complete overall, with Deliverable 6 (D6) (Year-End Processes, Auditing, and Security) at 99% complete, and D7 (Member Direct-MyAccount) at 23% complete. She commented that the design document review for D7 is under way, and staff are working with LRS on key business procedures, with expected completion of the first set of procedures later this month. Ms. Goodwin reported on the progress of the employer rollout, noting staff continue to review XML test files from employers and payroll providers, and that training sessions for employers are scheduled to begin next month. She commented on the ongoing meetings to ensure staff is ready for parallel processing, noting NHRS would hold a mock parallel beginning in August, followed by the actual parallel processing beginning in early October. Ms. Goodwin mentioned the annual test of the Business Continuity Plan that was conducted last month by Internal Auditor Heather Hoffacker, and noted some areas of improvement that the System would address.

She informed Trustees of two contracts she approved in accordance with the Procurement Policy, which allows the Executive Director to approve contracts under \$25,000. The first contract was with Consolidated Communications, as a three-year addendum to a current contract to increase internet access and bandwidth by 100% to assist NHRS with such activities as the onboarding of PGV3 and system migration to the cloud. The second is a short-term contract with Green Pages to evaluate NHRS's existing in-house phone system and provide operational knowledge to staff. She gave an update on the Contact Center, which continues to achieve its monthly goal of answering phone calls within 2 minutes, and less than a 5% abandon rate. Ms. Goodwin affirmed the positive responses she receives from her monthly calls to members, employers, and retirees regarding NHRS customer service. She closed her report with her action plan, which is on schedule.

Ms. Goodwin presented the proposed FY 24 Strategic Plan, which is a three-year plan required for Board review annually as part of the Strategic Plan Policy. She first referred the Trustees to the Preserve, Achieve, and Avoid (PAA) document in the Board materials, which includes staff's suggested changes and updates. Ms. Goodwin requested that the Board review the PAA document over the next two weeks and provide feedback prior to the June Board meeting. She noted the primary focus remains PGV3 for the near future, and that staff also reviewed the Strategic Plan objectives, and requested Trustee input on that document, as well. Lastly, she mentioned that staff put together plan priorities, and that the Board's feedback on the PAA and plan objectives would be incorporated in the FY 24 Strategic Plan for final approval at the next Board meeting. A brief discussion followed her presentation on whether staff considers other retirement systems' plans to produce NHRS's Strategic Plan. Ms. Goodwin noted staff participation in a variety of national retirement organizations to obtain different perspectives.

Ms. Goodwin then provided an overview of the preliminary FY 24 Trust Fund budget, breaking down the components of the overall budget, including the Investment internal

expenses, Investment external expenses, and non-Investment third-party expenses. She noted the proposed FY 24 Trust Fund budget is \$48,643,562, which is \$1.4 million lower than the adopted FY 23 budget, a total decrease of 2.8%. Chair Lesko reminded Trustees that the budget would be voted on at the June Board meeting.

Director of Finance Marie Mullen gave her Finance report, noting her department continues work on PGV3, and achieved 10 of the 15 KPMs in April, adding that three of the 15 KPMs were not applicable. Of the two missed KPMs, one had to do with banking reconciliation and was missed because Finance was training a new staff member. The second missed KPM was relative to employer account reconciliation and was missed because Finance had not received payment from an employer, and she suggested reviewing this KPM requirement since it is out of the department's control. She reported on cash flows for March and FYTD, which were each in the expected range and noted receipt of State reimbursement from the general fund of \$10,792,000 in March for the legislation passed last year for the one-time \$500 COLA payment. She also reported that in April, NHRS received the Board-approved \$42.9 million from the general fund regarding HB 1587. Ms. Mullen noted FYTD 23 spending for the first nine months is below budget, with several categories that are overbudget because the budget is prorated to nine-month expenses as opposed to incurred expenses that may be for full year. Ms. Mullen reviewed the various expense categories, commenting that those that are overbudget would resolve by FY-end, adding that the balance from the FY 22 budget would cover any overages. Lastly, she mentioned her action plan was on schedule.

Human Resources Director Rosamond Cain opened her report with a staffing update, noting there are three open positions at NHRS, including an Imaging Specialist, Communications Specialist, and a Finance Accountant. She noted the hiring of an Investment Operations Analyst and an Imaging Specialist, who both begin next Monday. She mentioned the current use of three temporary employees and that HR continues to assess NHRS's staffing needs for PGV3. She reported that recruitment of an Information Security Officer is on hold while NHRS evaluates the position. Ms. Cain announced the successful launch of the System's new payroll vendor, ADP, on May 5. She noted HR missed one of its KPMs last month regarding the recruitment of the Investment Operations Analyst position within 45 days. She closed her report noting HR's upcoming plans for Employee Appreciation Day in July.

Deputy Director and Chief Legal Counsel Tim Crutchfield began his Legal report with a status update on the ongoing lawsuit filed by five Department of Corrections' employees who believe they should have been reclassified from Group I to Group II approximately 20 years ago. The System received an order from Coos County Superior Court last month granting the Motion to Dismiss, each filed by NHRS and the Dept. of Administrative Services, who now await to see whether the Petitioners will request an appeal to the NH Supreme Court. Mr. Crutchfield reported that Legal met seven of its eight KPMs this month, noting the one KPM put on hold because of competing priorities with PGV3. He commented on the Barnstead embezzlement matter, noting that NHRS is researching whether any of its members were negatively affected relative to service credit.

He commented on the Private Letter Ruling (PLR) that the Groom Law Group is preparing for submission to the IRS regarding the medical subsidy provisions passed in 2021 as part of HB 2.

In closing, Mr. Crutchfield gave an overview of upcoming plans and projects, and noted five of the seven items on his action plan have been completed, and the remaining items are progressing.

Mr. Karlon gave his report on PIO, noting its simultaneous focus of monitoring legislation and planning for parallel processing. He mentioned his department's open position and that PIO is working with HR on recruitment. Lastly, he reported PIO met its KPMs for the month.

John Laferriere, Director of IT, presented his operating report, beginning with cyber security awareness and the monthly phishing tests, noting there were no staff failures in April. He reported on the results of the security scans, noting one finding of medium impact on the email portal that was remediated within 48 hours of discovery and that NHRS was not compromised. He commented on the open position in IT for an Information Security Officer, and that staff and service providers are fulfilling those duties in the interim.

Mr. Laferriere noted IT scored 100% on customer satisfaction and met all eight of its KPMs. He gave an update on the generator, noting IT installed and tested a temporary one until the new one arrives in July. He provided status updates on several IT projects. In closing, he gave an overview of upcoming projects and referred to his action plan, which is on schedule.

Mr. Leveque gave a brief operating report on Investments, noting his department met seven of the 10 KPMs, and the other three were not applicable this month. He then provided an agenda overview of the April IIC meeting, which will occur after today's Board meeting. He noted that his action plan is on schedule, aside from one item relative to the recently approved Bloomberg terminals.

Director of Member Services Nancy Miller updated the Board on her department, noting its continued work on PGV3 and preparations for parallel processing, alongside July retirement filings. She mentioned her department is preparing to produce and mail Member Annual Statements in September. She reported that Member Services met all 21 of its KPMs in April, noting that some KPMs would need adjustments to accommodate PGV3 parallel processing, adding that communication would be disseminated to members and stakeholders on the expected delays on certain processes. Lastly, she noted her action plan is in progress.

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

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the April 11, 2023, Board meeting, noting that Legal staff had reviewed the 12-month warranty period for PGV3, and was comfortable that the warranty period was sufficient.

During the Board checkpoint, Chair Lesko encouraged Trustees to attend the IIC meetings.

With no further business to discuss, on a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted unanimously to adjourn the meeting at 11:40 a.m.

Respectfully submitted,

Christine McKenney
Administrative Assistant

NHRS Board of Trustees

DRAFT Minutes – June 13, 2023

Note: These **draft** minutes from the June 13, 2023, Public Session are subject for approval at a subsequent Board of Trustees meeting.

Board of Trustees

June 13, 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, Germano Martins, Ken Merrifield, Monica Mezzapelle, Paul Provost, Don Roy, and Joshua Quigley.*

Absent: *Trustee Andrew Martineau.*

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

Chair Tim Lesko called the June 13, 2023, regular meeting of the NHRS Board of Trustees to order at 10:31 a.m., and Executive Director Jan Goodwin welcomed recently appointed Trustee Jason Henry, Superintendent of Rockingham County of Corrections.

After establishing a quorum, Chair Lesko called for a vote to approve the meeting minutes of the May 9, 2023, Board meeting. On a motion by Trustee Kelliher, seconded by Trustee Frederick, the Board voted to approve the meeting minutes, with Trustee Henry abstaining.

Trustee Mezzapelle reported on the Audit Committee, which met earlier this morning, stating the Committee heard a presentation from the System's external auditor, Plante Moran, on its approach to the Fiscal Year (FY) 23 Audit and encouraged the Committee to bring forward any concerns. The Committee then reviewed the status of the Audit Tracker and the FY 23 Internal Audit Plan. Trustee Mezzapelle reported on updates the Committee heard from Internal Audit and Finance.

Trustee Roy reported on the Governance Committee, which had not met since the May Board meeting and plans to meet before the July Board meeting for the annual review of the cyber insurance renewal and to prepare a recommendation to the Board.

Trustee Kelliher reported on the May 9, 2023, Independent Investment Committee (IIC, Committee) meeting. The Committee heard from Chief Investment Officer Raynald Leveque, who provided an update on investment returns through recent time-periods, referring to Callan's March 31, 2023, review. He gave updates on holdings within the NHRS portfolio, rebalancing, liquidity, Russian holdings and the Work Plan. Trustee Kelliher reported the Committee voted unanimously on two, five-year contract renewals from presentations the IIC heard at its April meeting. The first is with Walter Scott, who manages a global equity portfolio, and the second is with Wellington, who manages an emerging markets equity portfolio. The IIC heard a presentation from private equity manager American Industrial Partners (AIP), and the Committee voted unanimously to commit \$50 million to AIP Fund VIII, subject to contract and legal review. The Committee also heard a presentation from private equity manager Apollo and voted unanimously to commit \$40 million to its primary fund, Fund X and \$40 million to its Fund X co-investment vehicle, subject to contract and legal review. Lastly, Trustee Kelliher mentioned the Committee heard two other presentations as part of the contract renewal process from fixed income managers Brandywine and Loomis Sayles.

Trustee Kelliher turned to Mr. Leveque, who reported on the NHRS performance as of April 30, 2023, noting the Total Fund return for the month was 0.68% versus the policy benchmark of 1.58%. The fund is \$11.2 billion. He mentioned the calendar year-to-date (CYTD) performance, which is down by 194 basis points relative to its policy benchmark and attributed that to the volatility of the markets since 2022, beginning with the Ukraine War. NHRS's FY 23 total fund performance fiscal year-to-date (FYTD) is 6.07%, outperforming the policy benchmark by 50 basis points. He gave an update on portfolio performance by asset class and noted that cash currently yields 5.1% and commented that the numbers for alternative investments would be forthcoming, and stated returns for 3-, 5-, and 10-year periods were as expected. Mr. Leveque discussed the fixed income asset allocation rebalancing, which is now within range, noting the Investment Team implemented the rebalancing plan on May 11, after staff's recommendation to the IIC to use a U.S. Bond Fund Index. In closing, Mr. Leveque addressed a Trustee inquiry last month about the rebalancing and the current bond percentage allocation to the portfolio.

Trustee Merrifield began the report of the Legislative Committee, which had not met since the May Board meeting, and provided the latest on legislative activity, beginning with the House and Senate concurring on the two-year state budget in House Bill (HB) 2. He provided updates on the NHRS-related items in HB 2, including: a change to the recalculation of the Group I benefit to full retirement age under the Social Security system; a one-time \$500 COLA to eligible retirees; the creation of a commission to study retirement benefits and employee retention; funding for NHRS to administer the call firefighter death benefit; and the option for future community college employees, covered by collective bargaining, to enroll in the System or an alternative defined contribution plan. He reported on other NHRS-related bills included in the House version of HB 2 but removed by the Senate: HB 436, relative to removing the transition provisions of 2011 for Group II members who commenced service prior to July 1, 2011, but were not vested as of January 1, 2012; and HB 50, the one-time appropriation of \$50 million toward NHRS's unfunded liability in FY 23. He noted that two additional bills remained outstanding: HB 457, which would require NHRS to provide quarterly compliance reports to the Office of the Legislative Budget Assistant; and HB 461, which would create a committee to study the elimination by political subdivision employers of retirement system-eligible positions.

He concluded his report listing several bills that the Governor already signed into law: HB 193, the System's administrative clean-up bill; HB 278, which fixed an unintended repeal of an RSA-100 provision on annual employer reporting on retiree data; and HB 30, which allows county administrators to be exempted from mandatory membership.

Trustee Merrifield turned to Marty Karlon, Director of Communications and Legislative Affairs, for further comments. Mr. Karlon reported that the House just requested a committee of conference on HB 461. A short discussion followed about the budget and Group I and Group II bills, stemming from a Trustee question pertaining to a news article regarding House-proposed bills for those groups.

Trustee Martins delivered a brief update of the Benefits Committee, which did not meet last month and is planning to meet in July to review a pending recoupment matter.

Trustee Hannan reported on the PPCC, which met on June 5, and heard from Director of IT John Laferriere on plans to reorganize the IT department and gave a review of data security procedures and costs, which he and Ms. Goodwin will present to the Board at its July meeting. Trustee Hannan noted the Committee reviewed the NHRS Preserve, Achieve, and Avoid (PAA) document, part of the FY 24 Strategic Plan, and made one recommendation.

Executive Director Goodwin began the operating reports. The KPMs, were at 97.67% for the month, with two of 94 KPMs missed systemwide. The PGV3 project is at 79% complete overall, with Deliverable 7 (D7) (Member Direct-MyAccount) at 39% complete. Staff meetings with LRS on D7 design document review have concluded, and staff continue to work on testing XML files from employer and payroll providers. Ms. Goodwin remarked on the potential risks for the project, the largest risk was HB 436, the rollback of Group II benefits with certain provisions, which did not pass. She stated Finance is working on redeploying staff and temporary workers to ensure the System is on target in relation to employer reporting and PGV3. She reported LRS was at NHRS last week and will return next week for continued training on processes.

Ms. Goodwin apprised Trustees of a contract she approved under the Procurement Policy, for \$5,550 to use an outside contractor to help compile the Annual Comprehensive Fiscal Report (ACFR). She noted the 12-month rolling average for KPMs is above the 95% benchmark for the year. She gave an update on the Contact Center. She closed her report with her action plan, which is in progress.

Next, Ms. Goodwin presented the FY 24 Strategic Plan, which is a rolling three-year plan required for Board review annually as part of the Strategic Plan Policy. She referred to the revisions on the PAA document in the Board materials, noting that none of the changes affect the FY 24 Strategic Plan. On a motion by Trustee Frederick, seconded by Trustee Roy, the Board voted unanimously to accept the FY 24 Three-Year Strategic Plan, as presented.

Ms. Goodwin then presented the FY 24 Trust Fund Budget, noting she did not receive any budget questions or adjustments from Trustees and the budget appears as it did at the May Board meeting. On a motion by Trustee Hannan, seconded by Trustee Mezzapelle, the Board voted to approve the FY 24 Trust Fund Budget, as presented, with Trustee Henry abstaining.

At 11:04 a.m., Trustee Maloney left the Board meeting for an appointment.

Human Resources (HR) Director Rosamond Cain provided a staffing update, noting NHRS promoted from within to fill the IT Infrastructure Manager position, and an announcement will be posted soon for the vacant IT Infrastructure Support position. HR will hold a third round of interviews on Friday for the open Communications Specialist position; HR filled the Finance Account position with one of the System's temporary workers. She reported on the status of two other vacancies, one in IT for an Imaging Specialist, which is on hold, and the other in Finance for a Generalist, noting tasks for that position are under review. She provided a status update on the System's position assessment process. Plans are under way for the annual Employee Appreciation Day. HR is working with the payroll system vendor ADP on obtaining employer reports. A Trustee inquired about ADP and Work Force Now and Ms. Cain confirmed the joint usage.

Deputy Director and Chief Legal Counsel Tim Crutchfield noted that the Employer Audit team has prepared a Top 10 list of common reporting mistakes. The list is intended to help inform employers on how to accurately report earnable compensation and service credit. He updated the Board on GASB audits, noting that 23 are in process. Legal met seven of its applicable KPMs for the month. He spoke about the Private Letter Ruling (PLR), reporting that NHRS and the Department of Administrative Services are collaborating to submit the letter to the IRS regarding how to implement the medical subsidy relative to HB 2 passed in 2021. He closed his report commenting on the cyber insurance renewal process.

Mr. Karlson reported on the activities of the Public Information Office (PIO), noting it will be meeting with other departments to discuss the affects legislation would have on PGV3 to develop a communications plan. He reported that PIO performed a test presentation on PGV3 employer training and received positive feedback. He mentioned PIO will offer multiple training presentations from July through September. Lastly, he noted PIO met with LRS last week in preparation of PGV3 training materials.

A Trustee asked if presentations could be provided on thumb drives for employers who were unable to access YouTube for security purposes and Mr. Karlson stated that he would research alternatives for providing presentation materials.

John Laferriere, Director of IT, reported on cyber security awareness and the monthly phishing tests: there were no staff failures in May. He commented on the open position for an Information Security Officer, and that he is seeking to outsource the security functions of that position and will provide a report to the Board at its July meeting.

Mr. Laferriere noted IT scored 99% on customer satisfaction and met all eight of its KPMs. He gave an update on the Teams videoconferencing, noting IT installed two of the proof-of-concept systems and the project encompasses all conference rooms at NHRS. He provided status updates on several other IT projects. In closing, he gave an overview of upcoming projects and referred to his action plan, which is on schedule.

Mr. Leveque reported on Investments, noting his department met seven of the 10 KPMs, and the other three were not applicable this month. He updated the Board on his new staff member who joined as an Investment Operations Analyst. Mr. Leveque then provided an overview of the June IIC meeting, which will occur immediately after today's Board meeting.

Director of Member Services Nancy Miller noted her department's continued work on PGV3 and a site visit LRS made last week, which helped advance insurance reporting, noting the creation of a new web-based portal for the System's insurance providers. She gave an

overview of previous difficulties with other processes in Member Services, commenting on backlogs of enrollment and termination forms, which will be automated through employer reporting in PGV3. Member Services will work with LRS next week on other processes and mock parallel in August.

Ms. Miller provided a staffing update, mentioning the need for two more hybrid positions in her department to absorb the responsibilities previously performed by the recently retired QDRO Specialist, with the probability of the Legal Department managing some responsibilities. Member Services achieved all 21 of its KPMs. She reported on upcoming projects on legislation and PGV3, training documents, and July filing. There were fewer retirement applications for July 1 this year than in 2022. She concluded her report with her action plan. A robust discussion regarding MyAccount and preserving security followed Ms. Miller's report.

Director of Finance Marie Mullen reported on finance, noting the primary focus is on PGV3, and staff are testing XML files to ensure accuracy of employer reports prior to going live with PGV3 in December. She noted her team achieved 10 of the 15 KPMs, adding that three KPMs did not have deliverables and the two missed KPMs were ones previously unmet because of staffing changes and an outstanding report from an employer. With the recent hire of a new finance accountant, Ms. Mullen stated she expects to meet next month's KPM relative to the bank reconciliation, and the other KPM regarding employer reporting, adding that Finance is diligently requesting the unreported information from the employer.

She mentioned cash flows are within the expected range FYTD and noted the \$42.9 million that was certified at the April Board meeting has been accounted for in the cash flows. She remarked on the FY 22 balance forward of \$2 million from the Statutory Administrative Budget and noted the balance forwards for different budget categories. Ms. Mullen reported that the PGV3 expenses are within budget for the year. Lastly, she presented her action plan and several upcoming plans and projects.

Chair Lesko next presented the Consent Agenda. On a motion by Trustee Martins, seconded by Trustee Roy, the Board voted to approve the Consent Agenda, with Trustee Quigley abstaining on Item 4.

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the May 9, 2023, Board meeting: the FY 24 Strategic Plan and Trust Fund Budget had been completed during this meeting. Item 1 is in process with only one employer left to complete its reconciliation and she anticipates it would be done by the end of June; Item 6, regarding the call firefighter benefit appropriation, would be completed after the Governor signs the budget.

During the Board checkpoint, Chair Lesko encouraged Trustees to attend upcoming educational opportunities, noting some will be in Boston.

With no further business to discuss, on a motion by Trustee Roy, seconded by Trustee Hannan, the Board voted unanimously to adjourn the meeting at 11:43 a.m.

Respectfully submitted,

Christine McKenney
Administrative Assistant

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods ended March 31, 2023. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

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

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

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

Asset Class Excess Returns

May 31, 2023

The table below details the rates of return for the fund's asset classes over various time periods ended May 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 May 31, 2023								
Composite	Total Fund Weighting As of 5/31/2023	Last Month	FYTD	CYTD	LTM	3-YR	5-YR	10-YR
Total Domestic Equity	29.20%	-0.77%	9.43%	5.51%	0.41%	12.28%	8.25%	10.32%
<i>Domestic Equity Benchmark(1)</i>		0.39%	11.35%	8.74%	2.03%	11.26%	10.03%	11.54%
<i>Excess Return</i>		-1.16%	-1.92%	-3.23%	-1.63%	1.03%	-1.78%	-1.22%
Total Non US Equity	17.80%	-3.03%	13.20%	8.11%	4.14%	7.43%	2.46%	4.00%
<i>Non US Equity Benchmark(2)</i>		-3.64%	7.88%	4.77%	-1.41%	7.23%	2.22%	3.83%
<i>Excess Return</i>		0.61%	5.32%	3.34%	5.55%	0.20%	0.24%	0.18%
Total Fixed Income	20.32%	-1.10%	1.20%	2.58%	-1.60%	-1.07%	1.49%	1.97%
<i>Bloomberg Capital Universe Bond Index</i>		-1.04%	0.12%	2.48%	-1.89%	-3.11%	0.98%	1.64%
<i>Excess Return</i>		-0.07%	1.08%	0.09%	0.29%	2.04%	0.50%	0.34%
Total Cash	1.28%	0.43%	3.42%	1.96%	3.50%	1.26%	1.58%	1.02%
<i>3-Month Treasury Bill</i>		0.39%	3.12%	1.79%	3.14%	1.12%	1.49%	0.94%
<i>Excess Return</i>		0.03%	0.29%	0.17%	0.35%	0.14%	0.09%	0.08%
Total Real Estate (Q4)*	12.15%	-0.84%	-2.72%	-3.71%	7.44%	12.95%	11.16%	11.79%
<i>Real Estate Benchmark(3)</i>		-1.14%	-2.81%	-7.32%	-0.55%	7.96%	6.94%	8.67%
<i>Excess Return</i>		0.30%	0.09%	3.60%	7.99%	4.99%	4.22%	3.12%
Total Private Equity (Q4)*	14.20%	-0.44%	-1.01%	1.07%	-3.71%	16.71%	14.54%	12.67%
<i>Private Equity Benchmark(4)</i>		-2.12%	-8.48%	12.77%	-4.93%	15.55%	13.26%	16.09%
<i>Excess Return</i>		1.68%	7.47%	-11.70%	1.22%	1.17%	1.28%	-3.41%
Total Private Debt (Q4)*	5.05%	-0.02%	2.88%	1.52%	5.83%	6.44%	5.69%	6.95%
<i>Private Debt Benchmark(5)</i>		-0.50%	0.05%	7.29%	0.27%	2.66%	2.94%	7.26%
<i>Excess Return</i>		0.48%	2.84%	-5.77%	5.56%	3.77%	2.74%	-0.31%
Total Fund Composite	100.00%	-1.16%	4.84%	3.27%	1.21%	8.70%	6.61%	7.38%
<i>Total Fund Benchmark(6)</i>		-1.22%	4.27%	5.12%	0.00%	6.89%	6.32%	7.45%
<i>Excess Return</i>		0.06%	0.57%	-1.85%	1.22%	1.81%	0.28%	-0.07%

(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 ldx + 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 5/31/23, the Total Fund has returned 6.50% versus the Total Fund Custom Benchmark return of 6.58%.

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

FY 2024 NHRS THREE-YEAR STRATEGIC PLAN – PRIORITIES

Approved June 13, 2023

JULY 2023 – JUNE 2026

2023-2024 (FY 24)

- Continue to enhance IT security.
- Complete project plan milestones for LRS Pension Gold (PGV3) project.
- Develop and implement a comprehensive communication and education program for employers with respect to PGV3 implementation.
- Develop and document succession plan at all levels, with particular focus on senior positions.
- Continue to enhance member interface to include newer employees/members in the NHRS system.
- Build on the outstanding communication with all internal and external stakeholders, including the state legislature.
- Complete actuarial experience study based on the four-year period ending June 30, 2023.
- Develop a comprehensive 5-year strategic plan for the Investments department

2024-2025 (FY 25)

- Review and adjust the three-year strategic plan as appropriate.
- Evaluate potential enhancements to PGV3.
- Complete implementation of (non-PGV3 reliant) data security enhancement recommendations
- Certify FY26-27 employer contribution rates.
- Complete actuarial audit of experience study.
- Update the NHRS Investment Manual and Policy & Procedures.

2025-2026 (FY 26)

- Evaluate progress on all objectives and initiatives over prior 24 months to determine what has been achieved and what still needs to be addressed.

NOTES

- Plan does not address day-to-day issues such as managing implications of legislative action or litigation outcomes, which may be material, but are entirely unpredictable. Also, see KPMs for performance measures.
- FY 25 and FY 26 will be reviewed and adjusted depending on results of FY 24.

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



2023 Legislative Tracker

Updated: June 29, 2023

Legislation introduced in the 2023 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
2023 NHRS-RELATED BILLS			
HB 2	This is the budget trailer bill. Among the NHRS-related sections are: – Adjusting the recalculation of a Group I retiree’s NHRS benefit to his or her full retirement age under the federal Social Security system. – Providing a one-time \$500 payment to eligible retirees. – Creating a commission to study retirement benefits and retention of employees.	–	6/20/23: Signed into law by the Governor. Multiple effective dates. (Chapter 79, Laws of 2023)
HB 30	This bill allows county commissioners to exempt the county chief administrative officer from compulsory NHRS membership at the time of initial hiring or appointment.	Rep. Judy Aron	5/3/23: Signed into law by the Governor. Effective 7/2/23. (Chapter 9, Laws of 2023)
HB 50	This bill provides a one-time, \$50 million appropriation toward the retirement system’s unfunded pension liability in fiscal year 2023.	Rep. Michael Edgar	3/23/23: House voted, 206-120, to table the bill. No further action is expected in the 2023 session.
HB 183	This bill allows retired Group II Fire members to be employed by the state fire academy and not have those employment hours count against the annual limit on part-time hours.	Rep. Dan Wolf	2/8/23: House ED&A Committee voted to retain the bill in committee. No further action is expected in the 2023 session.
HB 193	This bill makes various changes to the administration of the NHRS, including clarification of the definition of teacher job share, references to the system’s annual comprehensive financial report, and procedures related to the purchase of service credit.	Rep. Tony Lekas	5/3/23: Signed into law by the Governor. Effective 7/2/23. (Chapter 19, Laws of 2023)
HB 250	This bill modifies the amount of the retirement annuity payable upon the accidental death of a member to 100 percent of average final compensation at the member’s death with a maximum benefit of \$85,000.	Rep. Ben Baroody	5/18/23: Senate, on a voice vote, accepted committee recommendation to re-refer bill to committee. No further action is expected in the 2023 session.
HB 278	This bill ratifies a provision of RSA 100-A regarding annual employer reporting of hours worked and compensation paid to retired members working part-time that was inadvertently repealed.	Rep. Carol McGuire	6/1/23: Signed into law by the Governor. Effective upon passage. (Chapter 63, Laws of 2023)
HB 339	This bill provides that no funds from NHRS or the state public employee deferred compensation plan shall be invested with any company that is boycotting Israel.	Rep. James Splaine	3/23/23: House, on a voice vote, tabled the bill. No further action is expected in the 2023 session.

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HB 436	This bill, over a 10-year period, adjusts the application of the minimum age, minimum years of service, average final compensation, and annuity multipliers for Group II members in service prior to July 1, 2011, and not vested prior to January 1, 2012.	Rep. Kevin Pratt	3/28/23: House Finance Committee voted to retain the bill in committee. No further action is expected in the 2023 session.
HB 449	This bill increases the service retirement and disability retirement annuity multiplier for the first 20 years of service of Group II retirement system members under the transition provisions adopted in 2011.	Rep. Jeff Goley	2/8/23: House ED&A Committee voted to retain the bill in committee. No further action is expected in the 2023 session.
HB 457	This bill requires NHRS to report on a quarterly basis to the office of legislative budget assistant regarding compliance with the duty to make all investment decisions solely in the interest of the participants and beneficiaries.	Rep. JD Bernardy	5/11/23: Senate voted, 14-10, to accept committee recommendation of ought to pass (OTP). The bill has been enrolled and sent to the Governor. *
HB 461	As amended by the Senate, this bill creates a committee to study the elimination by political subdivision employers of retirement system-eligible positions.	Rep. Steve Pearson	6/19/23: Committee of conference could not reach agreement. No further action is expected in the 2023 session.
HB 525	This bill adjusts the application of the transition provisions for Group II service retirement adopted in 2011 to be applicable as of January 1, 2014, rather than January 1, 2012.	Rep. Kevin Pratt	2/22/23: House, on voice vote, accepted committee recommendation of inexpedient to legislate (ITL). The bill is dead.
HB 555	As amended, this bill requires the transfer of 25 percent of any future state biennial surpluses to the reduction in the retirement system's unfunded accrued liability.	Rep. Tony Lekas	5/11/23: Senate, on a voice vote, tabled the bill. The bill is dead.
HB 559	This bill establishes a defined contribution retirement plan for new state employees who begin service on or after July 1, 2024, and who would previously have been enrolled in Group I. All new state employees on and after July 1, 2024, will be required to participate in a defined contribution plan administered by the state Deferred Compensation Commission and would not be members of NHRS.	Rep. Dan McGuire	3/10/23: House ED&A Committee voted to retain the bill in committee. No further action is expected in the 2023 session.
HB 571	This bill authorizes a one-time payment to a retired Group II member or beneficiary. Group II members (or their beneficiaries) retired 10 to 19 years as of July 1, 2023, are eligible for a payment ranging from \$1,100-\$2,900 depending on the number or years retired; Group II members (or their beneficiaries) retired 20 or more years as of July 1, 2023, are eligible for a payment of \$3,000. Group II members with a benefit of \$100,000 or more are ineligible for the one-time payment.	Rep. Ben Baroody	3/28/23: House Finance Committee voted to retain the bill in committee. No further action is expected in the 2023 session.
HB 579	This bill eliminates the transition provision adopted in 2011 for Group II members who began service before July 1, 2011, but were not yet vested as of January 1, 2012.	Rep. Doug Trottier	2/22/23: House, on voice vote, accepted committee recommendation of inexpedient to legislate (ITL). The bill is dead.
HB 639	This bill establishes procedures for the legalization, regulation, and taxation of cannabis, and the licensing and regulation of cannabis establishments. Note: This bill dedicates a portion of state revenue generated through the sale of cannabis toward paying down the retirement system's unfunded actuarial accrued liability.	Rep. Jason Osborne	5/11/23: Senate voted, 14-10, to accept committee recommendation of inexpedient to legislate (ITL). The bill is dead.

BILL #	BRIEF DESCRIPTION	PRIMARY SPONSOR	STATUS
SB 57	This bill links the recalculation of a Group I retiree's NHRS benefit to his or her full retirement age under the federal Social Security system.	Sen. Lou Sen. D'Allesandro	3/9/23: Passed by the Senate, then tabled on a voice vote. Note: <i>The provisions of the bill were included in HB 2 (See above).</i>
SB 114	This bill provides that the state shall pay 7.5% of local employer retirement contributions for Group I Teachers and Group II Police and Fire members.	Sen. Cindy Rosenwald	2/9/23: Passed by the Senate, then tabled on a voice vote. The bill is dead.
SB 134	The bill establishes a retirement system benefit for Group II members who retire due to a violent act injury.	Sen. Regina Birdsell	2/22/23: Senate, on a voice vote, accepted committee recommendation to re-refer bill committee. No further action is expected in the 2023 session.
SB 205	This bill grants a 1.5% cost-of-living adjustment (COLA) on the first \$50,000 of the pension benefit to retirees who retired on or before July 1, 2018, or any beneficiary of such retiree who is receiving a pension benefit. The COLA would take effect on the retired member's first anniversary date occurring on or after July 1, 2024.	Sen. Lou Sen. D'Allesandro	3/23/23: Passed by the Senate, then tabled on a voice vote. The bill is dead.
<p>* – Bill has passed the House and is currently in the Senate Committee Key: ED&A = Executive Departments & Administration; Location Key: LOB = Legislative Office Building; SH = State House.</p>			