



New Hampshire Retirement System Overview for House Finance Committee, Division I

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Overview

- **NHRS is a contributory, multi-employer, defined benefit plan established in 1967**
- **Provides retirement, disability, and death benefits, as well as a post-retirement Medical Subsidy, to eligible members and beneficiaries**
- **Once members attain eligibility, they can receive a guaranteed lifetime pension**
- **Pension benefits are funded through employee and employer contributions and investment income**
 - **Investment returns have historically provided the majority of funding for pension benefits**

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Overview

- **NHRS is a component unit of state government overseen by a Board of Trustees**
 - **Board of Trustees and Independent Investment Committee are fiduciaries**
- **NH Legislature is the plan sponsor (RSA 100-A)**
- **NHRS staff implements statute, rules, policies**
 - **Internal Revenue Code**
- **NH Constitution Art. 36-a**
 - **Protects funds 'for the exclusive purpose' of providing benefits**
 - **Requires Board to certify employer rates based on sound actuarial practice**
 - **Requires employers to pay the rates certified**

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Overview

- NHRs Trustees have a fiduciary obligation to ensure that the plan is adequately funded



Equation must balance in the long term

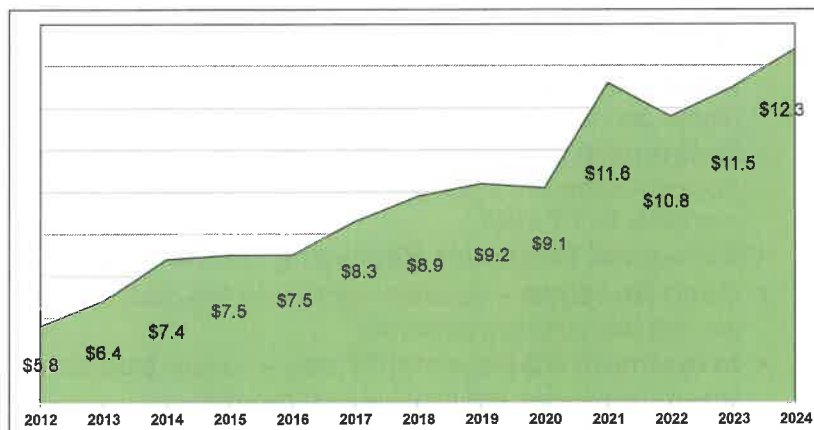
- NHRs Trust Fund at 6/30/24: \$12.3 billion

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Overview

- Assets in Billions: June 30, 2012 to present



Note: 2010 was the start of 30-year amortization of unfunded liability.

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Overview

- **Recent NHRS initiatives**
 - **Pension application upgrade ('PGv3')**
 - **Update to Strategic Asset Allocation Plan**
 - **Cyber security enhancements and training**
 - **Enhanced education/outreach for members, employers and the general public**
 - **New five-year strategic plan for Investment Office**
 - **Enhanced efforts to increase the number of members using My Account**

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Overview

- **Finance initiatives**
 - **Employer Reporting structure change** – assigned employers to a specific NHRS relationship manager for entire process from reporting through payment and reconciliation
 - **Employer Listening Sessions** – implemented new reports and functionality based on employer feedback
 - **Delinquent Employer Reporting** – completed project to focus on delinquent employer reporting and posting of cash payments for FY 2024
 - **Enhanced Employer Reporting Dashboard**
 - **Cash Receipts** – Automate and streamline cash receipt tracking and posting procedures
 - **Investment Management Fees** – various projects to streamline process and improve transparency
 - **Financial Software Upgrade**

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New Office Location for NHRS

- **Background**
 - NHRS' current lease expires March 2026
 - Need to provide notice of renewal to landlord by May 2025
- **Process**
 - NHRS Board Chair Kelliher appointed four Board members to an ad hoc real estate committee
 - NHRS engaged Cushman & Wakefield to review lease and purchase options in Central New Hampshire to find the most cost-effective office space, over the long term, for NHRS staff to provide great customer service to our members, retirees and beneficiaries
 - After comprehensive review of lease and purchase options Board approved entering into a contract for purchase
 - Thorough due diligence – site assessment, building condition and title search – no material exceptions were discovered

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New Office Location for NHRS (Continued)

- **Current Situation**
 - Leased space in Concord
 - 54 Regional Drive
 - 35,000 square feet
 - Annual rent: \$394,000*
*Effective 4/1/26
- **New Premises**
 - Purchasing three-story building in Concord
 - Corporate Center at Horseshoe Pond
 - Easy access to I-93, I-89 and I-393
 - 32,572 square feet; 2.75 acres
 - Purchase price: \$5 million
 - Expected close: March 2025
 - Move date: TBD

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Overview

- **Significant developments since 2007**
 - **2007:** Change in actuarial methodology
 - **2009:** Independent Investment Committee formed
 - **2010:** 30-Year Amortization of UAAL begins
 - **2011:** Board reduced rate of return to 7.75%
 - **2011:** HB 2 – Increased member contributions; reduced benefit accruals; changed composition of NHRS Board; eliminated state employer contribution subsidy to political subdivisions
 - **2014-16:** NH Supreme Court upholds legislative changes
 - **2016:** Board reduced rate of return to 7.25%
 - **2017:** Decennial Commission
 - **2020:** Board reduced rate of return to 6.75%

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Overview

- **Benefits added 2020 – 2022**
 - **2020:** Ch 340 laws of 2019 (HB 616), grants a one-time, 1.5% COLA on the first \$50,000 of an annual pension benefit to members who retired on or before July 1, 2014, or any beneficiaries of such member who is receiving a survivorship pension benefit. The COLA will take effect on the retired member's first anniversary date of retirement occurring after July 1, 2020. The adjustment shall become a permanent addition to the member's base retirement allowance.
 - The impact of this change resulted in a \$69.4 million increase in the total pension liability.
 - **2022:** Ch 203 laws of 2022 (HB1535), grants a one-time payment of \$500 to members who retired on or before July 1, 2017, or any beneficiaries of such member who is receiving a survivorship pension benefit who has an annual retirement allowance of no more than \$30,000 on June 30, 2022.
 - The one-time payment of \$11,750,000 was made during state fiscal year 2023 from the General Fund.

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• **Benefits added 2023**

- Ch 184, laws of 2022 (HB1587) modifies the calculation of compensation paid in excess of the full base rate of pay (COB) under the definition of Average Final Compensation (AFC) for Group II members hired prior to July 1, 2011, who had not attained vested status prior to January 1, 2012.
 - The \$42.9 million increase to the unfunded liability associated with this change was pre-funded by the state General Fund in Fiscal Year 2023.
- Ch 79, laws of 2023 (HB2) (a) modifies the effective date of the statutory pension recalculation for Group I (Employee and Teacher) members who retire on or after July 1, 2023. The change defers the recalculation of a Group I retiree's NHRS benefit to his or her full retirement age under the federal Social Security system; (b) grants a one-time \$500 payment in Fiscal Year 2024 to eligible retirees and beneficiaries receiving a monthly benefit.
 - The one-time payment of \$7.1 million will be made during state fiscal year 2024 from the General Fund.

• **Benefits added 2024**

- Ch 202, laws of 2024 (HB 1559) established a new retirement system disability benefit for Group II (Police and Fire) members injured in the line of duty due to a purposeful, violent attack by means of a deadly weapon. In addition, the bill gave members who retired under accidental disability on or after July 1, 2018, 90 days from the effective date of the law to file an application for violent accidental disability benefits. Effective July 1, 2024.
 - It is estimated that this will increase the unfunded actuarial liabilities by \$9.2 million.

Overview

• Benefits added 2024 (Cont.)

- Ch 233, laws of 2024 (HB 1307) granted a one-time supplemental allowance of \$500 in fiscal year 2025 to accidental disability benefit retirees – or their beneficiaries receiving a monthly survivor benefit – who retired on or before July 1, 2018, and who have an annual pension benefit of \$50,000 or less. The bill also provides for any potential future supplemental allowances and cost-of-living adjustments for accidental disability beneficiaries to be granted without regard to years of creditable service. Effective July 1, 2024.
 - The one-time payment of \$423,000 will be made during state fiscal year 2025 from the General Fund.

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Overview

• Benefits added 2024 (Cont.)

- Ch 253, laws of 2024 (HB 1647) increased the benefit multiplier for Group II, Tier B members to 2.5% for all years after the first 15 years of Group II service for members who retire under service or ordinary disability retirement on or after July 1, 2024. The first 15 years of Group II service will continue to accrue a multiplier of 2.4% to 2.1%, depending on how many years of service the member had on January 1, 2012. Tier B consists of members hired on or before July 1, 2011, but not vested prior to January 1, 2012. Effective June 30, 2024.
 - The bill included a \$26 million state appropriation from the General Fund toward the unfunded liability associated with this change.

State Increase in Employer Pension Rates as a Percent of Payroll	
	Net Impact of Proposal*
Police	0.21%
Fire	0.20%

Political Subdivision Increase in Employer Pension Rates as a Percent of Payroll	
	Net Impact of Proposal*
Police	0.21%
Fire	0.20%

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Membership/Benefits

- **Group I**
 - Employees
 - Teachers
- **Group II**
 - Police
 - Fire
- **468 active participating employers**
 - State of NH, counties, school districts, communities, and other political subdivisions

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Membership/Benefits

At June 30, 2024

	Employees	Teachers	Police	Fire	Total
Active	25,402	17,655	4,126	1,806	48,989
Retiree/ Beneficiary	22,043	16,366	4,909	2,012	45,330

- **Active Members**
 - Average Age: 45.9
 - Average Service: 10.8 years
- **Retirees**
 - Average Age: 72.2
 - Average benefit: \$21,625

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Membership/Benefits

- In FY 2024, \$1 billion in pension benefits were paid to retirees and beneficiaries
- In the same period, \$39.5 million in post-retirement Medical Subsidy payments were paid on behalf of eligible retirees and beneficiaries
- Nearly 80% of retirees and beneficiaries remain in N.H.

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Membership/Benefits

- **FY 2024 benefits paid by county:**
 - Belknap: \$64.4M
 - Carroll: \$31.1M
 - Cheshire: \$37.4M
 - Coos: \$26.3M
 - Grafton: \$50.8M
 - Hillsborough: \$184.3M
 - Merrimack: \$150.9M
 - Rockingham: \$144.1M
 - Strafford: \$61.5M
 - Sullivan: \$20.6M



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Membership/Benefits

- Four types of retirement: service, disability, early, and vested deferred
- Different benefit provisions apply to Group I and Group II
- Different benefit provisions apply based on vested status and date of hire
- Pension benefits are determined by statutory formulas that consists of three components:
 - Creditable Service
 - Average Final Compensation
 - Benefit Multiplier

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Membership/Benefits

Average Annual Pension Benefits at June 30, 2024

Group I

- Employee: \$15,529
- Teacher: \$23,969

Group II

- Police: \$40,516*
- Fire: \$45,778*

All Retirees

- Average: \$21,625

Note: Plan does not include automatic cost-of-living adjustments

** Group II members do not participate in Social Security*

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Benefits

Distribution of Benefits at 12/31/24

- **Annual benefit under \$10k: 26%**
- **Annual benefit under \$25k: 66%**
- **Annual benefit under \$50k: 94%**
- **Annual benefit greater than \$75k: 2.0%**

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Membership/Benefits

- **Cost-of-Living Adjustments (COLAs)**
 - **Not automatic**
 - **Subject to legislative action**
 - **Last COLA granted in 2019, effective in FY 2021**
 - **Not all retirees or beneficiaries were eligible for COLA**
 - **One-time \$500 payment granted in 2022 and 2023**
 - **Not all retirees or beneficiaries were eligible for one-time payment**
 - **COLAs and one-time payments are funded either through increased employer contributions or state general funds**

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Contributions/Funding

- **Member Contributions**
 - **Set by statute**
 - Employees: 7%
 - Teachers: 7%
 - Police: 11.55%
 - Fire: 11.8%
- **Employer Contributions**
 - Actuarially determined then certified by Trustees on biennial basis
 - Local employers have paid 100% of contributions for teachers, police and fire since state subsidy was repealed in 2011
 - Note: HB 1221 provided one-time state reimbursement of 7.5% for local employer contributions for Teachers/Police/Fire made in FY 2022

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Contributions/Funding

- **Biennial Actuarial Valuation**
 - Calculates funding status
 - Used to set employer rates per statute
 - Three components: Normal cost, UAAL, Medical Subsidy
 - Separate rates for each member group
 - Based on assumptions derived in experience study
- **Actuarial Experience Study**
 - Conducted every four years
 - Completed study in FY 2024 that covered FY 19-23 period
 - Evaluates assumptions
 - Demographic Assumptions
 - Economic Assumptions, including assumed rate of investment return
 - Rate of return remained at 6.75% in latest study

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Contributions/Funding

- **Normal Cost**
 - Estimated annual cost of pension benefits as they are earned
- **Unfunded Liability**
 - Estimated value of accrued NHRS benefits not yet funded
 - \$5.58 billion at the close of FY 2024, a funded ratio of 68.6%
 - The result of artificially low employer contributions coupled with transfer of 'excess' investment earnings to Special Account over an extended period beginning in early '90s
 - Exacerbated by Great Financial Crisis (2008-09)
 - Further impacted by reductions in assumed rate of return in 2011, 2016, and 2020
 - Statutory structure to amortize bulk of UAAL through 2039
 - Future biennial gains or losses incurred after 7/1/17 amortized over closed periods of no more than 20 years
- **Medical Subsidy**
 - Closed benefit; funded at pay-go rate

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Contributions/Funding

UAAL as a % of Employer Pension Rate - FY 2026-27

Member Category	Pension: Normal Cost	Pension: UAAL	UAAL as a % of Total Pension Cost	Medical Subsidy	Total Employer Rate
Emp. – State	2.42%	10.11%	80.7%	0.34%	12.87%
Emp. – P. Sub.	2.42%	10.11%	80.7%	0.22%	12.75%
Teacher	2.89%	15.39%	84.2%	0.95%	19.23%
Police	5.80%	22.92%	79.8%	2.23%	30.95%
Fire	6.10%	20.82%	77.3%	2.23%	29.15%

Member share of normal cost: Employee: 74%; Teacher: 71%; Police: 67%; Fire: 66%

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Contributions/Funding

Employer Contribution Rates – FY 2024-25 vs FY 26-27

Member Category	FY 24-25 Employer Rate	FY 26-27 Employer Rate	% Change
Emp. – State	13.85%	12.87%	-7.1%
Emp. – P. Sub.	13.53%	12.75%	-5.8%
Teacher	19.64%	19.23%	-2.1%
Police	31.28%	30.95%	-1.1%
Fire	30.35%	29.15%	-4.0%

Note: The rate decrease in FY 26-27 is primarily the result of strong investment performance over the five-year period ending June 30, 2023, actual member experience from July 1, 2021, through June 30, 2023, and relatively minor adjustments to demographic and economic actuarial assumptions.

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Investments

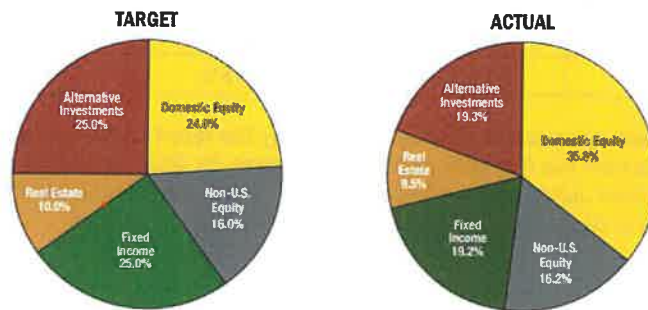
- **Board of Trustees**
 - Approves investment policy, including asset allocation
 - Hires investment consultant
- **Independent Investment Committee**
 - Created by Legislature, effective Jan. 1, 2009
 - Recommends investment policy to the Board
 - Oversees the administration of the investment program within Board's policies
 - Hires investment service providers, such as the custodian and investment managers
 - Prepares a Comprehensive Annual Investment Report (CAIR) for approval by the Board

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Investments Strategy

- Reviewed regularly
- Long-term time horizon (25-plus years)
- Manage risk and liquidity
- Diversified portfolio among different types of assets
- Target and actual asset allocation at 6/30/24



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Investments At June 30, 2024

- One-year return at 6/30/24: 8.8%
- Three-year return: 3.4%
- Five-year return: 7.7%
- 10-year return: 7.0%
- 25-year return: 6.3%

FY 2025 return (6/30/24 through 11/30/24): 6.02%

Long-Term Assumed rate of return is 6.75%

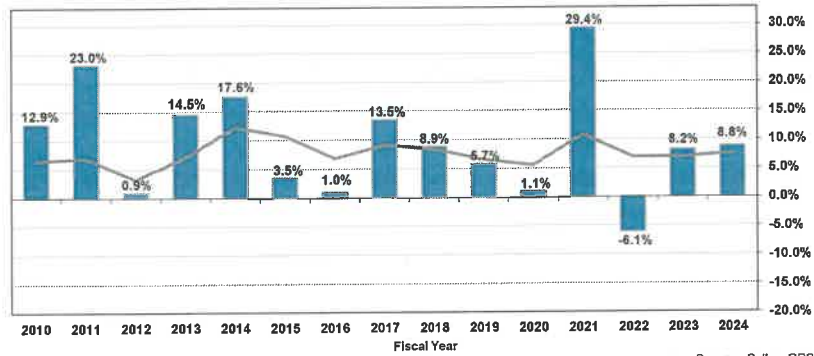
All returns are net of fees

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Investments At June 30, 2024

Time-Weighted Annual Returns Since 2009



Note: Gray line denotes actuarial return with 5-year smoothing.

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Investments At June 30, 2024

- Performance through 6/30/24 better than 73% of peers over 10-year period (27th percentile)
- For the 15 years ending June 30, 2024, a period during which the IIC made the investment decisions, the fund outperformed 84% of peers
- The outperformance relative to the public defined benefit plan median for the 15 years ending 6/30/24 represents approximately \$313 million in additional returns

Source: Callan Public Fund Sponsor Peer Group – Large Universe (plan assets greater than \$1 billion), which contains 138 public plans with over \$2.0 trillion assets under management (AUM)

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Investments

At June 30, 2024

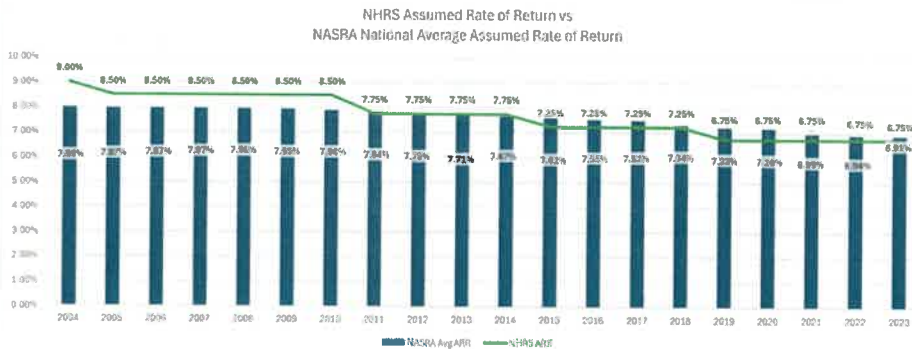
- **During fiscal year 2024, Investment Staff and IIC engaged in the following:**
 - **Proposed and secured approval of the update to the long-term Strategic Asset Allocation for Total Plan**
 - Diversification through addition of private investments in Infrastructure and Credit strategies
 - **Presented and secured approval for a 5-year Strategic Plan for the Investment Office**
 - Recruitment and retention of investment talent, investment in analytical systems to better manage the plan and achieve performance outcomes
 - **Continued to improve existing investment disclosure practices**
 - Continued to adopt transparent reporting on NHRS investments (e.g., proxy voting summary)
 - Investment dashboard outlining investments and plan allocation

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Investments

• Assumed Rate of Return: NHRS vs. National Average



Source: National Association of State Retirement Administrators

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Legislation
Recent Activity



- **2024 session**
 - 14 bills introduced
 - 3 bills enacted into law
- **Since 2007, more than 110 changes have been made to the NHRS statute**

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Legislation
NHRS' Role



- **Provide data and objective analysis**
 - Fiscal Note Worksheets
 - “Bill Briefs”
 - Testimony
 - Informational materials (annual reports, actuarial valuations, etc.)

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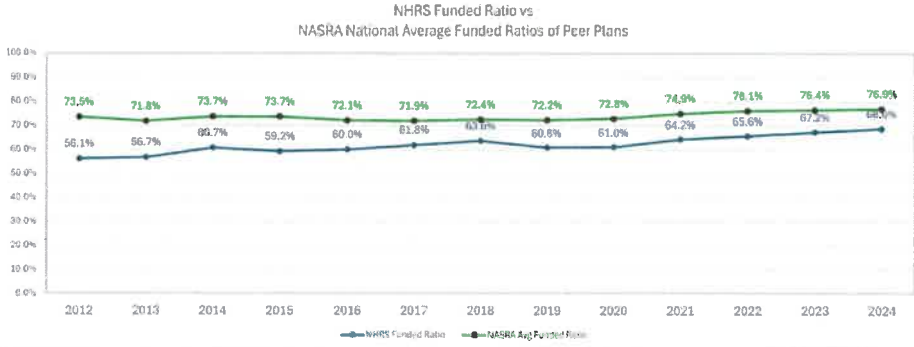
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Summary

- **NHRS provides a modest pension benefit**
 - Majority of pension payments remain in-state and support local economy
- **Plan is in place to pay down unfunded liability and manage future volatility**
- **Board has been taking responsible steps to assure proper plan funding, as reflected in:**
 - The decisions to reduce the assumed rate of return over the past 10+ years
 - The improvement in NHRS' funded ratio, relative to the NASRA average, despite the impact of the reductions in the ARR

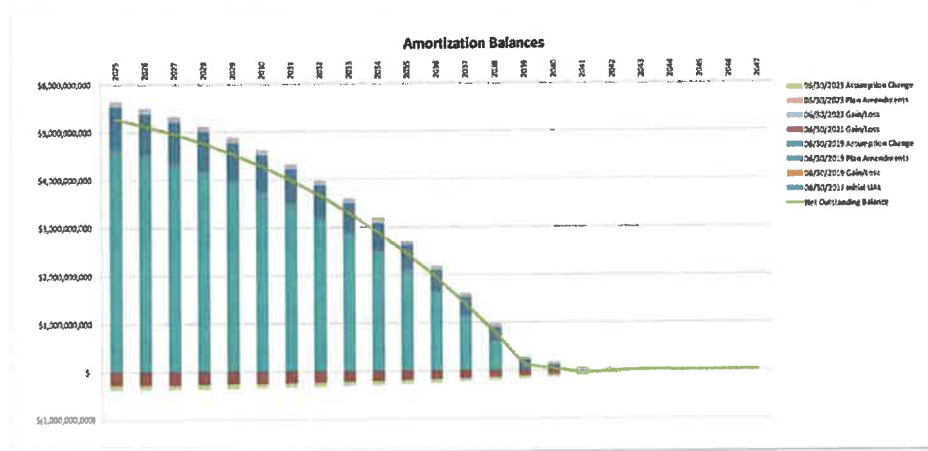
Summary

• **Funded ratio relative to peers – FY 2012-24**



NHRS Assumed Rate of Return: 2010-14 – 7.75%; 2015-18 – 7.25%; 2019 – 6.75%

Paying Down the UAAL



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Summary

- The importance of having a plan

FY 2024	Maine PERS	NHRS
Participants	Teachers & State Employees	Employees, Teachers, Police, Fire
Active Members	40,932	48,989
Retirees/Beneficiaries	38,789	45,330
Average Pension	\$25,618	\$21,625
State Constitution	Requires normal cost to be funded on a sound actuarial basis; new unfunded liabilities funded over 20 years (layered); any benefit improvements must be fully paid for in year passed	Requires employer contribution rates be based upon sound actuarial valuation and practice and paid in full
Amortization of UAAL	31-year closed (1997-2028); Layered 20-year amortization of new gains and losses beginning in FY 97	30-year closed (2010-2039); Layered 20-year amortization of new gains and losses beginning in FY 17
Actuarial Method	Entry Age Normal	Entry Age Normal
Assumed rate of investment return	6.50%	6.75%
Funded Ratio at start of amortization period	51% (FY 96)	57.4% (FY10)
FY 2024 Funded Ratio	86.3%	68.6%

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Summary

- **NHRS has a constitutional and statutory foundation to protect its financial future**
 - **Constitutional protections of Part I, Article 36-a assure that contribution rates are actuarially sound and paid by employers; and, that the pension trust is used solely for the benefit of NHRS members**
 - **Statutory provisions of 100-A have been amended to address structural issues which undermined the financial security of the system**
 - **This is a marathon, not a sprint - and there are no shortcuts**

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Appendices

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Appendix

Board of Trustees

The members of the New Hampshire Retirement System (NHRS) Board of Trustees are appointed and serve pursuant to RSA 100 A:14

Public Members

Maureen Kelliher, *Chair*
Vacant
Robert Maloney
Paul Provost

Employer Members

Donald Roy, *N.H. School Boards Assoc.*
Jon Frederick, *N.H. Municipal Association*
Ken Merrifield, *State of N.H.*
Jason Henry, *NH Association of Counties*

Employee Members

Vacant, *Employee*
Sue Ellen Hannan, *Teacher*
Joshua Quigley, *Police*
Andrew Martineau, *Fire*

Ex Officio Member

Monica Mezzapelle, *State Treasurer*

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Appendix

Independent Investment Committee

The members of the NHRS Independent Investment Committee are appointed and serve three-year terms pursuant to RSA 100-A:14-b

Trustee Members

Maureen Kelliher
Paul Provost

Public Members

Christine Clinton, *Chair*
Brian Bickford
Vacant

Active Participant Member

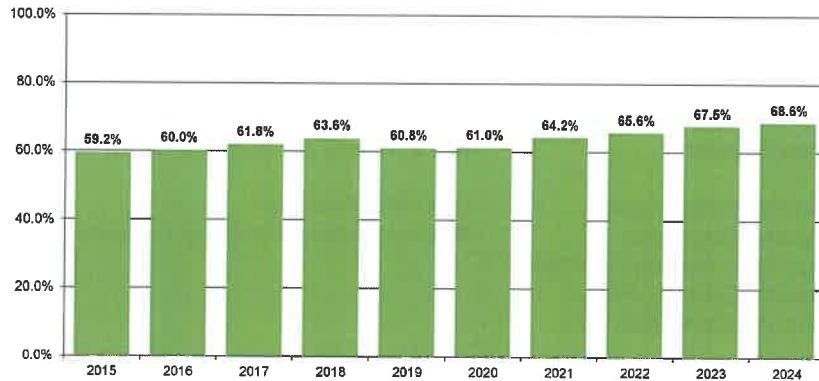
Michael McMahon

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Appendix Trust Fund Assets

- **Actuarial funded ratio: June 30, 2015 to June 30, 2024**



Funded ratio impacted by reductions to assumed rate of return and revised actuarial assumptions in 2016, 2020

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Appendix Members and Beneficiaries 2015-2024

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Active Members • 2024: 48,989 • 2023: 48,589 • 2022: 48,687 • 2021: 48,582 • 2020: 48,479 • 2019: 48,288 • 2018: 48,121 • 2017: 47,886 • 2016: 48,069 • 2015: 47,812 | <ul style="list-style-type: none"> • Retirees/Beneficiaries • 2024: 45,330 • 2023: 43,603 • 2022: 42,415 • 2021: 40,974 • 2020: 39,612 • 2019: 38,352 • 2018: 37,012 • 2017: 35,694 • 2016: 32,776 • 2015: 31,350 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

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Appendix
Membership Data at June 30, 2024

• **State vs. Political Subdivision**

	Employees	Teachers	Police	Fire	Total
State	10,224	0	1,026	35	11,285
Political Subs.	15,178	17,655	3,100	1,771	37,704
Total	25,402	17,655	4,126	1,806	48,989

• **Membership by Gender**

	Employees	Teachers	Police	Fire	Total
Female	15,282	14,020	632	79	30,013
Male	10,120	3,635	3,494	1,727	18,976
Total	25,402	17,655	4,126	1,806	48,989

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Benefits
Group I Service Retirement: Hired On/After 7/1/11

- **Service Retirement Age: 65**
- **Service Retirement Formula:**
AFC multiplied by 1/66th, multiplied by
creditable service = annual pension
 $\$50,000 \times 1/66^{\text{th}} = \$758 \times 30 \text{ years} = \$22,727$

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Appendix

Group II Service Retirement: Hired On/After 7/1/11

- **Service Retirement Age: 52.5 (with minimum 25 years of service)**
- **Service Retirement Formula:
AFC multiplied by 0.20%, multiplied by
creditable service = annual pension**

$$\mathbf{\$50,000 \times 0.20 = \$1,000 \times 25 \text{ years} = \$25,000}$$

Note: Group II members do not participate in Social Security

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Appendix

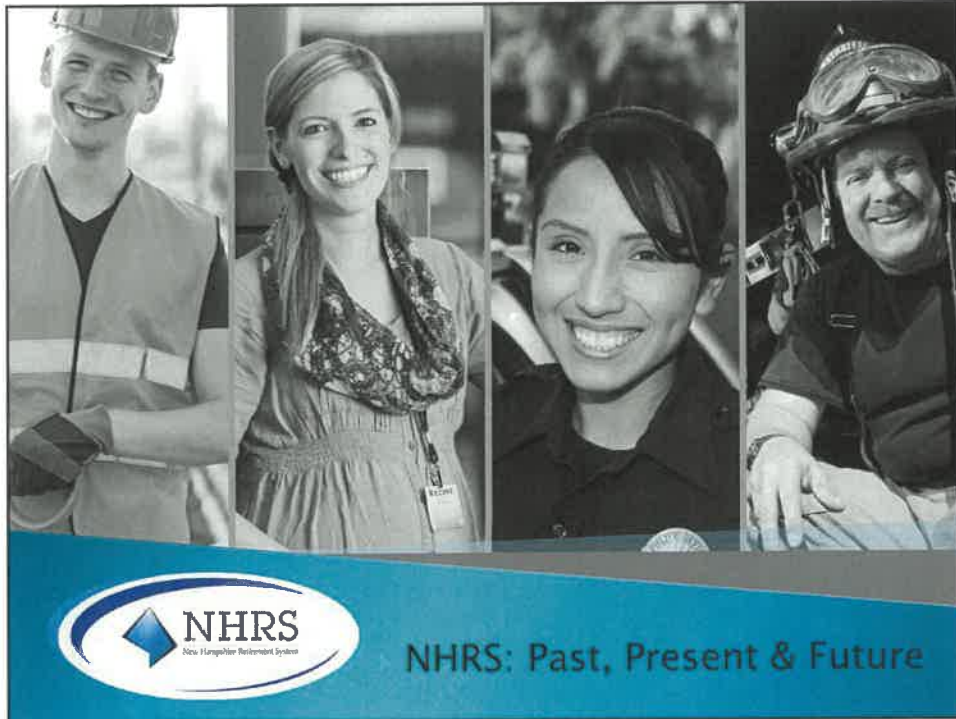
Timeline for Setting Employer Rates

- **Biennial Actuarial Valuations**
 - 6/30/21 valuation determined FY 2024-25 rates
 - 6/30/23 valuation determined FY 2026-27 rates
 - 6/30/25 valuation will determine FY 2028-29 rates
- **Biennial NHRS Trustee Rate Certification**
 - 7/22 Trustees certified FY 2024-25 rates
 - 8/24 Trustees certified FY 2026-27 rates
 - 8/26 Trustees will certify FY 2028-29 rates

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The New Hampshire Retirement System (NHRS) is governed by New Hampshire RSA 100-A, rules, regulations, and Federal laws including the Internal Revenue Code. NHRS also implements policies adopted by the Board of Trustees. These laws, rules, regulations, and policies are subject to change. Even though the goal of NHRS is to provide information that is current, correct, and complete, NHRS does not make any representation or warranty as to the current applicability, accuracy, or completeness of any information provided. The information herein is intended to provide general information only and should not be construed as a legal opinion or as legal advice. Members are encouraged to address specific questions regarding NHRS with an NHRS representative. In the event of any conflict between the information herein and the laws, rules, and regulations which govern NHRS, the laws, rules, and regulations shall prevail.



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Past – 1967: In the beginning...

- ▶ **RSA 100–A enacted, establishing NHRS**
 - Consolidates four separate plans for teachers, police officers, firefighters and employees of the state and political subdivisions
 - Creates Group I for teachers and employees and Group II for police officers and firefighters, each with its own benefit structure
 - State pays 40% of employer contributions on behalf of teachers

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Past – 1977: The Employer Subsidy

- ▶ State reduces employer contribution subsidy for teachers to 35% from 40%
- ▶ State creates 35% employer contribution subsidy for police officers and firefighters employed by political subdivisions
- ▶ Subsidy remained in place until it was reduced beginning in 2009 and then eliminated in 2011

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Past – 1983: Heads I win, tails you lose

- ▶ Legislature creates Special Account to fund future COLA and OPEB benefits
 - Funded by 'excess earnings' – or 'gain-sharing' – when investment return exceeded the assumed rate of return by a set percentage
 - Subsequently determined to be in contravention of the Internal Revenue Code as it shifted funds from the pension trust and contributed to a structural unfunded liability

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Past – 1984: A Granite (State) Foundation

- ▶ **NH Constitution amended (Part I, Article 36–a)**
 - Establishes that pension funds are for the exclusive benefit of NHRS members and are not to be diverted for any other purpose
 - Requires Trustees to set actuarially sound employer contribution rates and employers to pay the rates in full
 - Distinguishes NHRS from many systems where annual funding level is at the discretion of the legislature (e.g. Illinois, New Jersey, Kentucky)

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Past – 1985: Autonomy from the State

- ▶ **NH Supreme Court rules in Sununu v NHRS**
 - Issue: Whether NHRS contracts had to be approved by the Governor & Executive Council
 - Decision: NHRS is not an Executive Branch agency and operates for the exclusive benefit of its members – largely taking retirement system management and administration out of the political realm

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Past – 1991: Digging the Hole

- ▶ Following an actuarial valuation in 1989 which indicated a dramatic increase in unfunded liability from \$3.9 million to \$217.5 million, the legislature in 1991 adopts the 'Open Group Aggregate' actuarial method and sets the assumed rate of return at 9.75%, both done for the purpose of reducing employer contribution rates
- ▶ Infringement of Board's fiduciary duty to set actuarially sound rates
- ▶ Resulted in artificially depressed employer contribution rates from 1991 to 2009

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Past – 2007: The Great Awakening

- ▶ Legislature replaces Open Group Aggregate with 'Entry Age Normal' actuarial method and creates 30-year amortization of liability to begin in FY 2010
 - Unfunded liability is determined to be \$2.4 billion
- ▶ Funding for Special Account limited
- ▶ Legislature creates HB 876 Commission to examine all aspects of the retirement system; the first 'Decennial Commission'

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Past – 2008: Rebuilding the Foundation

- ▶ **Legislature enacts HB 1645**
 - Establishes Independent Investment Committee
 - Transfers \$250 million from Special Account to Pension Trust
 - Changes method of funding the Medical Subsidy and freezes the 8% escalator for four years
 - Revises definition of earnable compensation
 - Followed by litigation; AFT v State of NH

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Past – 2009: Unfunded Mandate?

- ▶ **Legislature reduces subsidy to political subdivisions for teacher, police officer and firefighter employer contributions from 35%, to 30% in FY 10 and 25% in FY 11**
 - Followed by litigation in 2010; City of Concord v State of NH
 - Legislature in 2011 repealed subsidy entirely and provided one-time \$3.5M appropriation

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Past – 2011: Back to the Drawing Board

- ▶ **HB 2 enacted**
 - Increases contribution rates for all members by 2% – 2.5% of payroll
 - Changes benefit provisions for some current members and all future members by:
 - Increasing retirement ages and reducing benefit formulas for non-vested and future members
 - Amending definition of earnable compensation
 - Increasing AFC from 3 to 5 years for some members
 - Limits on working after retirement
 - Changes the composition of the Board of Trustees
 - Followed by litigation; PFFNH v State of NH (1&2)

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Past – 2012–2016: The Court Speaks

- ▶ **NH Supreme Court decides in favor of the State of NH in four separate cases**
 - Against the City of Concord in its claim that eliminating the employer contribution subsidy was effectively the imposition of an unfunded mandate
 - Against PFFNH (1&2) and AFT in their claims that increasing member contributions, revising the definition of earnable compensation, and eliminating or reducing benefits represented an unconstitutional breach of contract rights
- ▶ **Adopts, for the first time, the ‘unmistakability doctrine’**

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Past – 2017: Decennial Commission Redux

- ▶ Decennial Commission meets for several months and generates recommendations, some of which are subsequently the basis for legislation
 - Revisions to Working After Retirement provisions, limiting the number of hours that can be worked and simplifying the approach
 - Adoption of layered amortization, a mechanism to reduce volatility by amortizing future asset gains or losses over 20-year periods
 - One-time \$500 retiree payment
 - Increasing terms of NHRS Trustees from 2 to 3 years, mitigating turn-over and creating more continuity

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Past – 2017: Decennial Commission Redux

- ▶ Decennial Commission also hires the Center for Retirement Research at Boston College to assess NHRS, which found:
 - NHRS uses among the most conservative assumptions for mortality and rate of return in comparison to other large state and local plans
 - NHRS investment returns exceed most other plans
 - NHRS benefits are modest compared to other plans
 - Total government costs for NHRS was about 15% of payroll compared to a national average of about 18%
 - UAAL growth since 2007 was driven by losses in great financial crisis, level-percent amortization, and reductions to assumed rate of return

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Present – Most Recent Facts & Figures

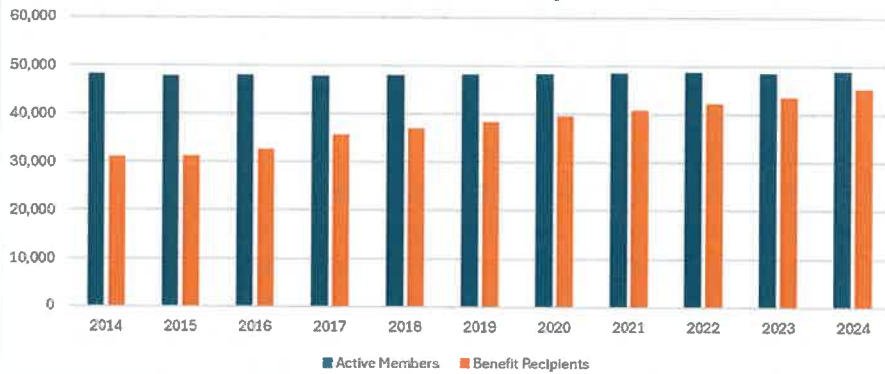
- ▶ As of 6/30/24
 - Unfunded Liability: \$5.58 Billion
 - Funded Ratio: 68.6%
 - 17 years into a 30-year amortization
 - \$12.3 billion in assets
 - 8.8% investment return in FY 2024
 - 48,989 members
 - 45,330 benefit recipients
 - \$1 billion in annual pension and medical subsidy benefits; Nearly 80% of recipients live in NH

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Present – Most Recent Facts & Figures

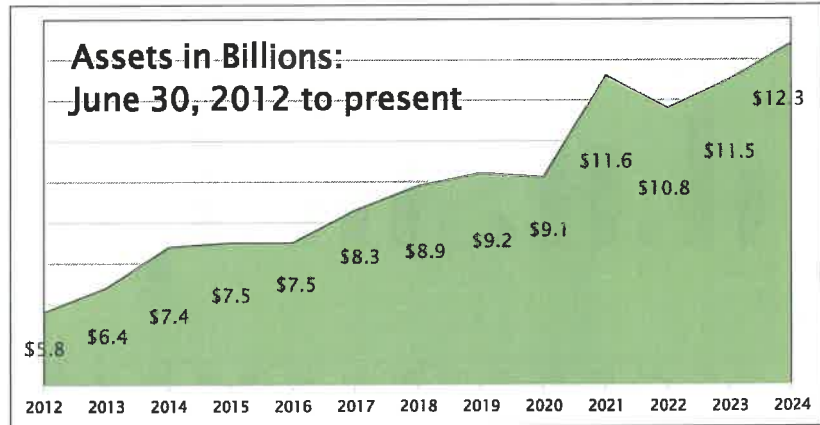
Active Members and Benefit Recipients, FY 2014-24



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Present – Most Recent Facts & Figures



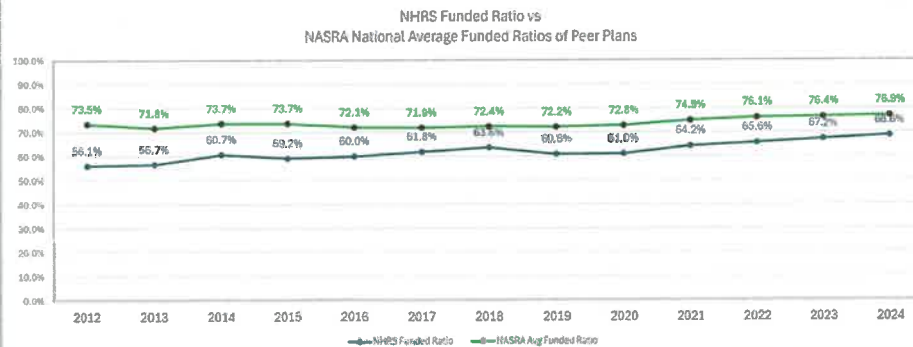
Note: 2010 was the start of 30-year amortization of unfunded liability.

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Present – Most Recent Facts & Figures

Funded ratio relative to peers – FY 2012–24

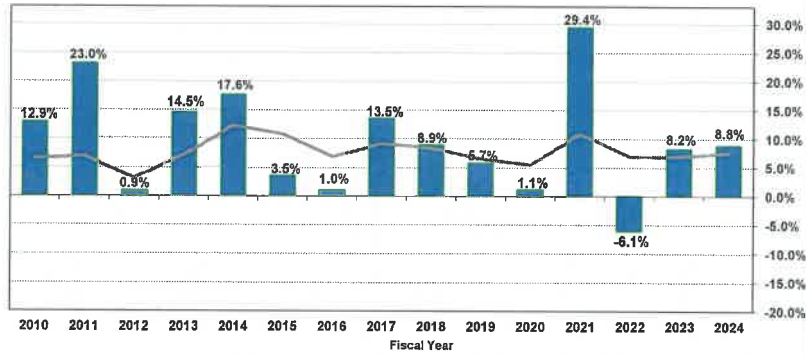


NHRS Assumed Rate of Return: 2010–14 – 7.75%;
2015–18 – 7.25%; 2019 – 6.75%

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Present – Most Recent Facts & Figures



Note: Gray line denotes actuarial return with 5-year smoothing.

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Present – FY26–27 Employer Rates

Member Category	Pension: Normal Cost	Pension: UAAL	UAAL as a % of Total Pension Cost	Medical Subsidy	Total Employer Rate
Emp. – State	2.42%	10.11%	80.7%	0.34%	12.87%
Emp. – P. Sub.	2.42%	10.11%	80.7%	0.22%	12.75%
Teacher	2.89%	15.39%	84.2%	0.95%	19.23%
Police	5.80%	22.92%	79.8%	2.23%	30.95%
Fire	6.10%	20.82%	77.3%	2.23%	29.15%

Member Contribution Rates: Employee/Teacher: 7%; Police: 11.55%; Fire 11.8%
Member share of normal cost: Employee: 74%; Teacher: 71%; Police: 67%; Fire: 66%

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Present – What's Important

- ▶ **NIRS' six common elements of a successful plan:**
 - Employer contributions that pay the full amount of the annual required contribution, and that maintain stability in the contribution rate over time;
 - Employee contributions to help share plan cost;
 - Benefit improvements actuarially valued before adoption and properly funded upon adoption;
 - Cost of living adjustments granted responsibly;
 - “Anti-spiking” measures in place;
 - Economic actuarial assumptions that can reasonably be expected to be achieved over the long term

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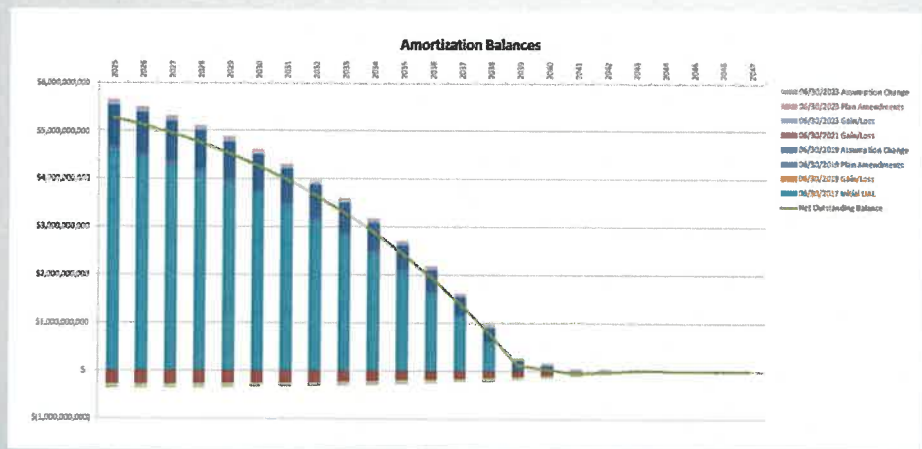
Present – What's Important

- ▶ **NHRS has a constitutional and statutory foundation which is designed to protect its financial future**
 - Constitutional protections of Part I, Article 36–a assure that contribution rates are actuarially sound and paid by employers; and, that the pension trust is used solely for the benefit of NHRS members
 - Statutory provisions of 100–A have been amended to address structural issues which undermined the financial security of the system

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Future – Paying down the UAAL



GRS 2021 valuation

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Future – The importance of having a plan

FY 2024	Maine PERS	NHRS
Participants	Teachers & State Employees	Employees, Teachers, Police, Fire
Active Members	40,932	48,989
Retirees/Beneficiaries	38,789	45,330
Average Pension	\$25,618	\$21,625
State Constitution	Requires normal cost to be funded on a sound actuarial basis; new unfunded liabilities funded over 20 years (layered); any benefit improvements must be fully paid for in year passed	Requires employer contribution rates be based upon sound actuarial valuation and practice and paid in full
Amortization of UAAL	31-year closed (1997–2028); Layered 20-year amortization of new gains and losses beginning in FY 97	30-year closed (2010–2039); Layered 20-year amortization of new gains and losses beginning in FY 17
Actuarial Method	Entry Age Normal	Entry Age Normal
Assumed rate of investment return	6.50%	6.75%
Funded Ratio at start of amortization period	51% (FY 96)	57.4% (FY10)
FY 2024 Funded Ratio	86.3%	68.6%

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Future – Issues to Watch

- ▶ **Legislative**
 - Benefit changes
 - COLA
 - Investment mandates
- ▶ **Economic**
 - Assumed rate of return
 - Short- and long-term market outlook
 - Interest rates/Inflation
- ▶ **Demographic**
 - School-age population
 - ‘Graying’ of NH

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Future – Learn more

- ▶ **NHRS ... Now You Know**
 - <https://www.nhrs.org/about-nhrs/now-you-know>

NHRS ... NOW YOU KNOW

Separating myth from reality

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

Here are the realities behind six common misconceptions about the New Hampshire Retirement System:

Misconception 1: NHRS is a state agency.

Reality: NHRS is not a state agency under the executive branch; it is a component unit of the state governed by statute, independently funded by a pension trust, and overseen by a Board of Trustees. Trustees are fiduciaries bound by law to act solely in the interest of the participants and beneficiaries of the pension plan.

Misconception 2: NHRS has the authority to grant cost-of-living adjustments (COLAs).

Reality: The Legislature, as plan sponsor, is responsible for the design of the

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The Fine Print

The New Hampshire Retirement System (NHRS) is governed by New Hampshire RSA 100-A, rules, regulations, and Federal laws including the Internal Revenue Code. NHRS also implements policies adopted by the Board of Trustees. These laws, rules, regulations, and policies are subject to change. Even though the goal of NHRS is to provide information that is current, correct, and complete, NHRS does not make any representation or warranty as to the current applicability, accuracy, or completeness of any information provided. The information herein is intended to provide general information only, and should not be construed as a legal opinion or as legal advice. Members are encouraged to address specific questions regarding NHRS with an NHRS representative. In the event of any conflict between the information herein and the laws, rules, and regulations which govern NHRS, the laws, rules, and regulations shall prevail.