



NHRS BUDGET OVERVIEW FY 2022 & 2023 February 23, 2021

NHRS Highlights

- Completed an actuarial experience study in June which resulted in adjustments to a number of actuarial assumptions. The assumed rate of return was reduced from 7.25% to 6.75%, the inflation assumption was reduced from 2.50% to 2.0% and the payroll growth factor was reduced from 3.75% to 3.25% for police, fire and employees, while for teachers it was reduced from 2.75% to 2.25% in response to continued anticipated decline in the school-age population in NH.
- Maintained normal business operations despite shifting most staff to remote work due to the COVID-19 pandemic.
- Achieved investment performance for FY 2020 of 1.1%. The three-year, five-year, 10-year, 20-year, and 25-year returns for the periods ended June 30, 2020, were 5.2%, 5.9%, 8.7%, 5.4%, and 7.5%, respectively. All returns are net of fees. Compared to the members in the InvestorForce Public Defined Benefit Net Universe, NHRS performed better than 70% of its peers over past decade.
- Following the recent actuarial experience study, certified employer contribution rates for FY 2022 and 2023 in September. Rates increased by 20%, on average.
- The funded ratio on the pension plan was 61.0% in FY 2020, up from 60.8% in FY 2019
- Implemented a 1.5% COLA for eligible retirees and beneficiaries, which was enacted during the 2019 legislative session and effective beginning July 1, 2020.
- Earned a Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR).
- Continued to expand education and outreach to members and employers through live and virtual presentations, written materials, and online content. Developed targeted educational presentations geared to new and mid-career members. Developed a comprehensive employer resource page.
- Continued to maintain administrative and investment expenses at favorable levels as compared to peer pension plans.

Ongoing initiatives to improve efficiency at NHRS

- Created a Contact Center to enhance customer service by centralizing all phone, email, fax and walk-in customer interactions in one operating unit with enhanced technology, effective metrics, and elevated security to assure member identification.
- In the second year of the four-year project to upgrade our core pension application ("PensionGold") from the 17-year-old version 2 to version 3 (PGV3 project). The project is now 35% completed.
- Made a number of substantial changes to the security infrastructure to further improve the security of NHRS' data and assets. The changes included: contracting with new external security operation center for 24x7x365 monitoring for threats; external third-party vulnerability and penetration testing; increased cybersecurity testing for all staff; and in-depth user auditing to limit access to key systems.

Significant challenges/opportunities faced by NHRS

- The experience study and subsequent adjustments to actuarial assumptions generated impactful rate increases for employers, but continued the process of assuring that the funding of the system is in alignment with anticipated costs for providing benefits.
- After a successful migration to remote work for most employees due to COVID-19, we have developed a phased strategy for returning to the office and maintaining high-quality customer service while at the same time maximizing staff and visitor health and safety. Partial re-opening targeted to begin July 1, 2021.

Impact of recent legislation on NHRS

- There was no retirement system-related legislation passed in the 2020 session.
- The COLA legislation that was enacted in 2019 increased the system's unfunded liability by \$65 million. The cost of the COLA is being amortized over 20 years through an increase in employer contribution rates beginning in fiscal year 2022.

NHRS budget overview

- The operations portion of the NHRS statutory administrative budget has been held relatively flat with spending well under the budgeted amounts over the past 8 years. The cost impact of a multi-year upgrade of our 17-year-old core pension database application first appeared in actual spending in FY 2019, and in budgeted amounts in FY 2020. Implementation costs associated with this project are expected through FY 2024. The upgrade will improve the application from a stand-alone client server platform (PGV2) to a web-based system with enhanced cybersecurity and functionality (PGV3).

FY	2020	2019	2018	2017	2016	2015	2014	2013
Operations Budget	\$9.3M	\$8.8M	\$8.5M	\$8.3M	\$8.1M	\$8.7M	\$8.5M	\$8.6M
Operations Actual	\$7.9M	\$7.7M	\$7.5M	\$7.7M	\$7.2M	\$7.5M	\$7.2M	\$7.2M
PGV3 Budget	\$2.8M	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PGV3 Actual	\$2.1M	\$1.0M	\$0	\$0	\$0	\$0	\$0	\$0
Total NHRS Budget	\$12.1M	\$8.8M	\$8.5M	\$8.3M	\$8.1M	\$8.7M	\$8.5M	\$8.6M
Total NHRS Actual	\$10.0M	\$8.7M	\$7.5M	\$7.7M	\$7.2M	\$7.5M	\$7.2M	\$7.2M

NEW HAMPSHIRE RETIREMENT SYSTEM BUDGET REVIEW STATUTORY ADMINISTRATIVE BUDGET FY 2021 Through FY 2023

	(A) FY 2021 BUDGET	(B) FY 2022 PROPOSED	(C) FY 2023 PROPOSED
1 Statutory Budget			
2 Salaries & Benefits:	\$6,918,821	\$7,142,498	\$7,604,366
3 Information Technology:			
4 Technology-Software & Hardware	885,000	883,000	883,000
5 All Other Administrative Costs:			
6 Current Expenses	182,485	200,060	201,610
7 Rents & Leases	482,800	465,000	465,000
8 Utilities	105,000	90,000	90,000
9 Building Maintenance	115,000	115,000	115,000
10 Equipment	4,900	24,700	24,700
11 Consultants (IMEs)	220,000	232,000	234,000
12 Retiree Health Care	227,900	158,300	177,900
13 Education & Training	56,600	73,300	73,400
14 Other	253,054	240,989	242,966
15 Subtotal All Other Adm Costs	\$1,647,739	\$1,599,349	\$1,624,576
16 Subtotal Before PGV3 Project	\$9,451,560	\$9,624,847	\$10,111,942
	<i>% Change</i>	1.8%	5.1%
17 PG V3 Project:			
18 Project Costs	2,838,077	2,690,042	2,046,280
19 Subtotal PGV3 Project	\$2,838,077	\$2,690,042	\$2,046,280
20 Total	\$12,289,637	\$12,314,889	\$12,158,222
	<i>% Change</i>	0.2%	-1.3%