



New Hampshire Retirement System

FY 26-27 Budget Presentation

Senate Finance Committee

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- **NHRS Highlights**
- **Initiatives**
- **Challenges/Opportunities**
- **Budget Review**

NHRS Highlights



- Exceeded \$1 billion in pension benefit payments in FY 2024 for the first time in NHRS' 57-year history. With close to 80 percent of retirees and beneficiaries living in-state, most of these retirement benefits support local economic activity.
- The National Institute for Retirement Security in its 2025 Pensionomics report stated NHRS retiree spending supported over 7,000 jobs and each dollar of pension benefits drives \$1.46 in New Hampshire economic activity.
- Transitioned to an updated pension administration system (PAS) platform, which replaced a 20-year-old system. This was a six-year process, and many other important initiatives were deferred.
- Received unmodified clean audit opinions for its financial statements, consistent with past experience.
- Implemented 2024 legislative changes in a timely and accurate manner.

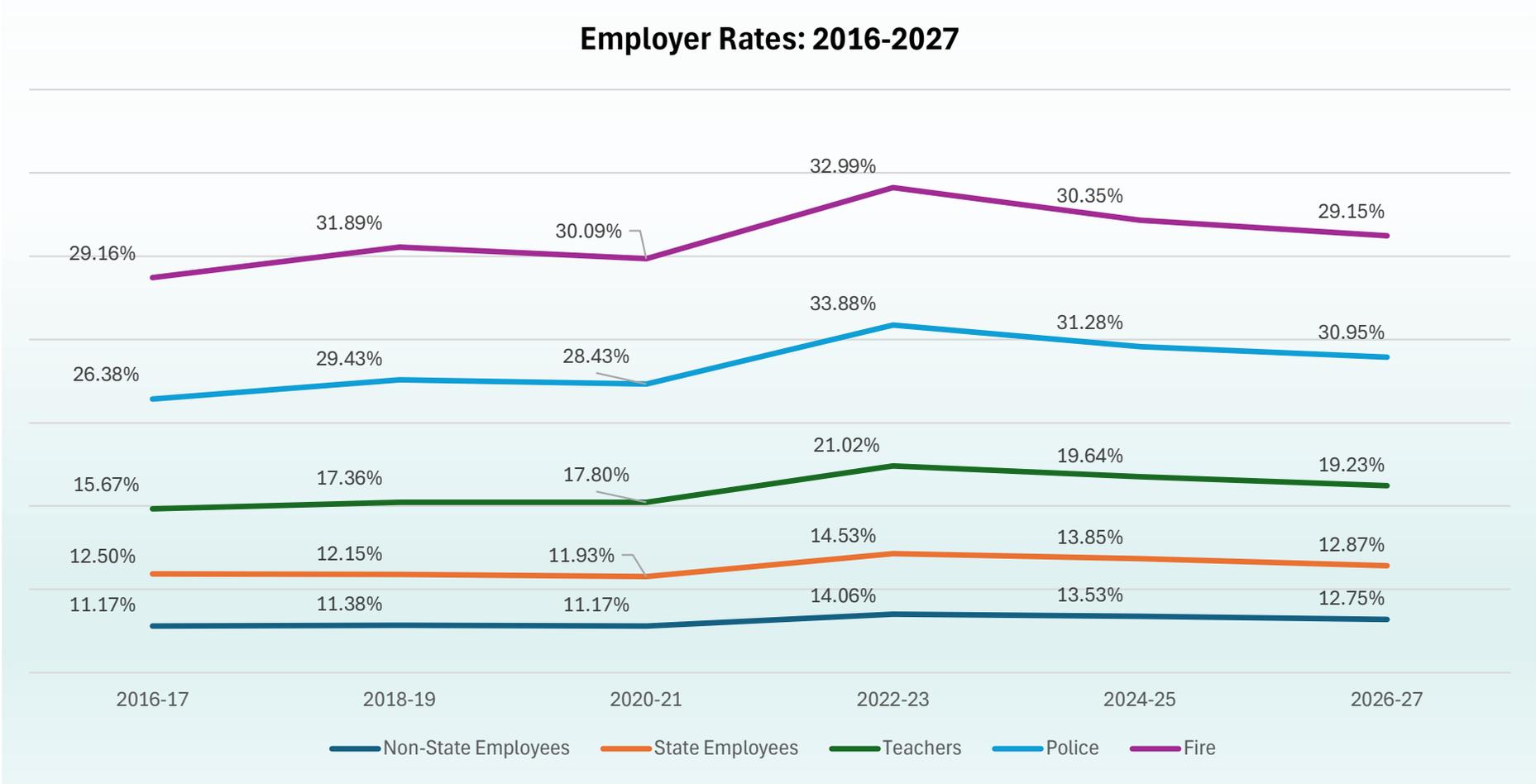
NHRS Highlights



- In 2010, NHRS implemented a 30-year plan to amortize the unfunded liability that existed at that time.
- The unfunded liability has been decreasing since 2020.
- The funded ratio has increased steadily over time. Reducing when the assumed rate of return and other actuarial assumptions have changed.
- Unfunded legislative mandates increase the unfunded liability and further delay reaching full funding and will cause employer rates to increase.

NHRS Highlights

Employer Contribution Rates peaked in FY22-23 and have decreased as a percentage of covered payroll as the amortization plan intended.



NHRS Highlights

Employer Contribution Rates for all four membership classifications have decreased for the last 2 biennial rate setting periods.

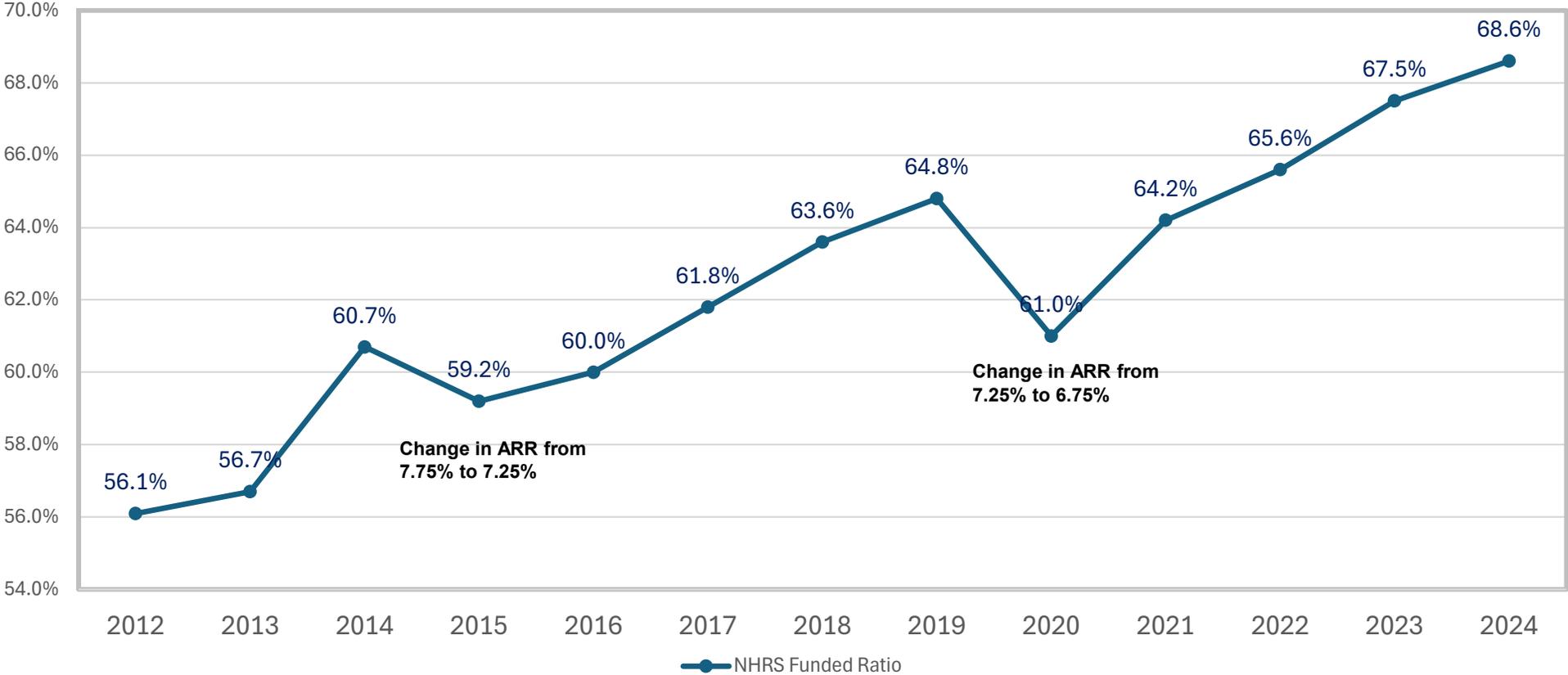
Member Category	FY 22-23 Employer Rate	FY 24-25 Employer Rate	% Change
Emp. – State	14.53%	13.85%	-4.7%
Emp. – P. Sub.	14.06%	13.53%	-3.8%
Teacher	21.02%	19.64%	-6.6%
Police	33.88%	31.28%	-7.7%
Fire	32.99%	30.35%	-8.0%

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%

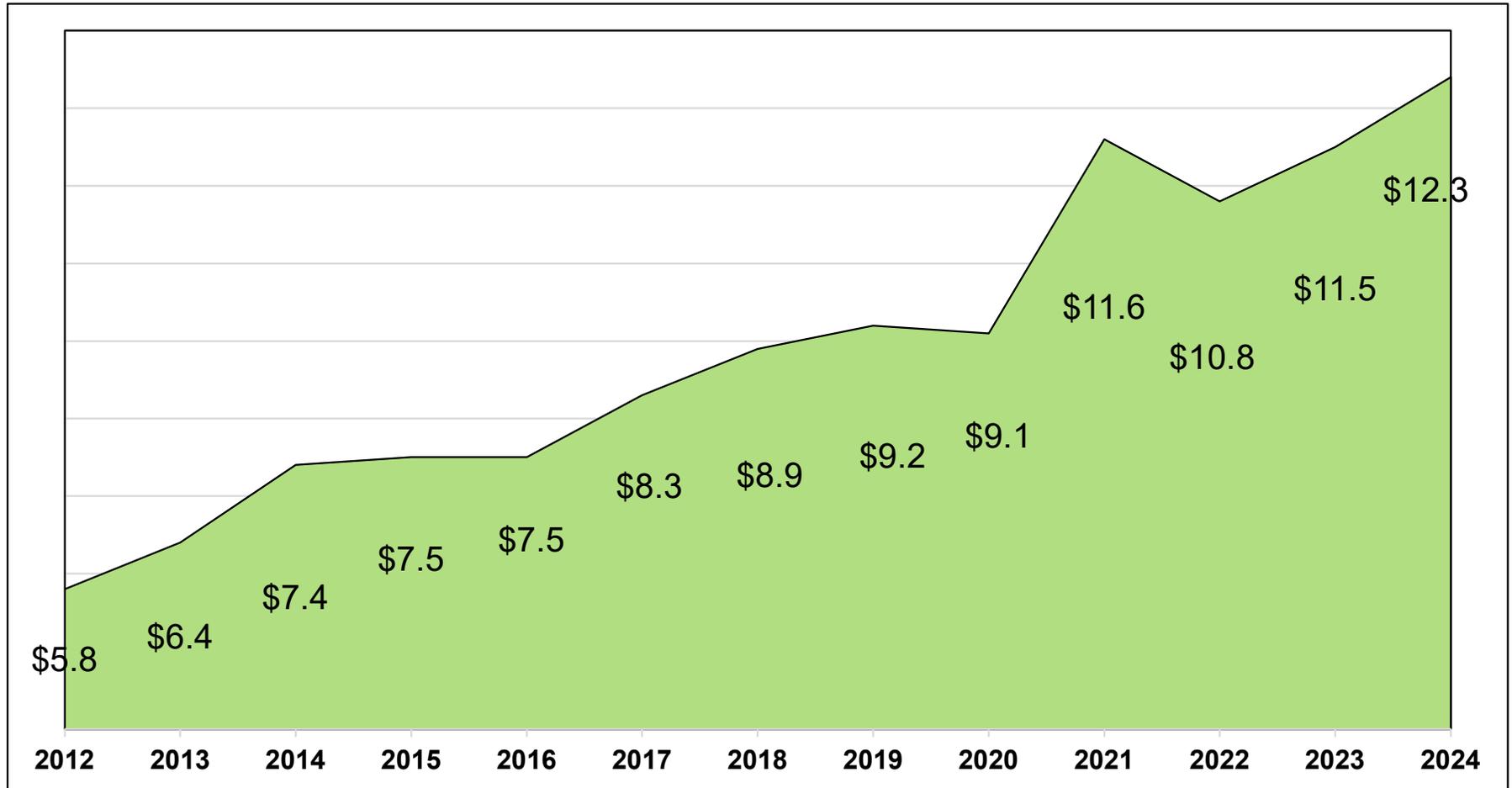
NHRS Highlights

- The funded ratio on the pension plan was 68.6% in FY 2024, up from 67.5% in FY 2023 and is trending favorably over the past five years. Since 2011 legislative changes, funding ratio has increased by 12.5%.

Pension Plan Funded Ratio



Assets in Billions: June 30, 2012, to June 30, 2024



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

NHRS Highlights



- The Board in June voted to adopt revised actuarial assumptions based on the results of a four-year experience study conducted by its consulting actuary. In addition to adjustments to demographic assumptions, the actuary recommended increasing the payroll growth assumption by 0.25 percent to reflect price inflation growth over the past four years. **For the first time in more than 20 years as part of its experience study, the actuary did not recommend reducing the assumed rate of investment return, which is currently 6.75 percent.**

Investments

- 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 3/31/25): 3.8%

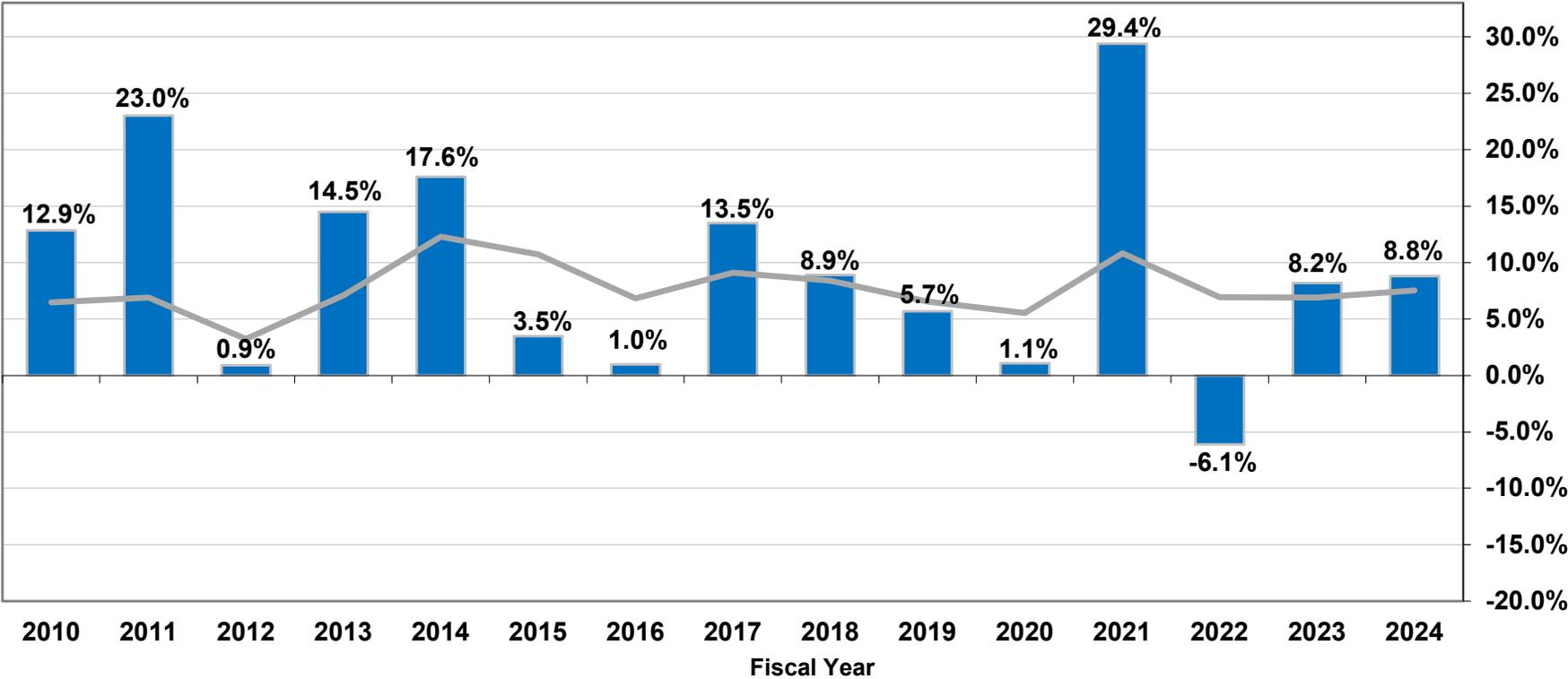
**All returns are net of fees*

Long-Term Assumed rate of return is 6.75%

- Compared to the members in the Callan Public Fund Sponsor – Large Universe (greater than \$1 billion), NHRS performed better than 70% of its peers over the past decade.

NHRS Highlights

Time-Weighted Annual Returns Since 2009



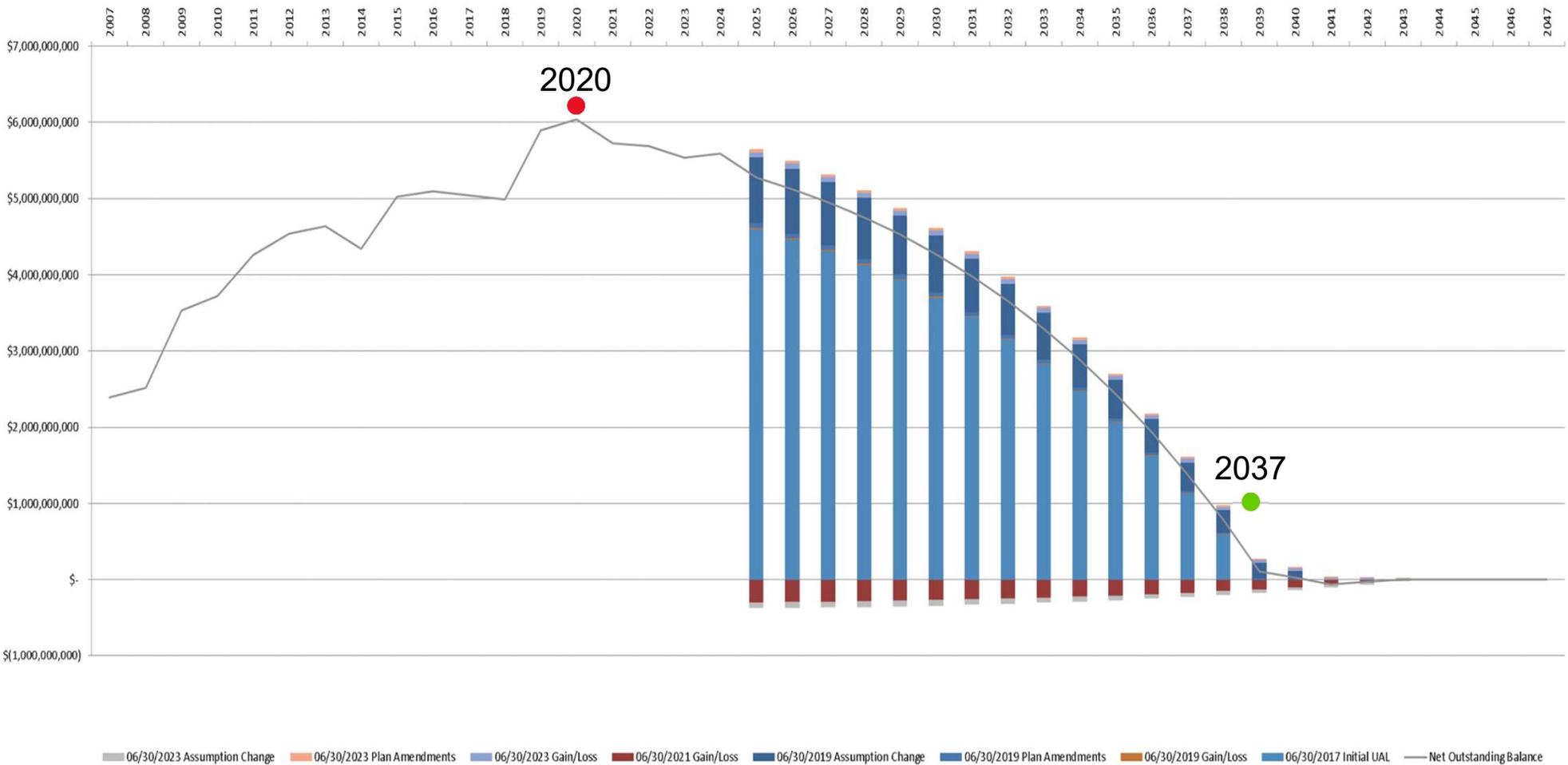
Sources: Callan; GRS

Note: The gray line denotes the actuarial rate of return with 5-year smoothing. Smoothing is a standard actuarial practice that spreads out gains and losses in order to mitigate abrupt changes in employer rates. This better accommodates the budgetary considerations of participating employers.

NHRS Highlights



Amortization Balances



Ongoing initiatives to improve efficiency at NHRS

- Revamped the strategic planning process and developed a three-year strategic plan for FYs 2025-27.
- Continuous review and revision of the fund's asset allocations with a goal to reduce volatility and provide steady cash flows. The allocation changes are being phased in, as appropriate, over a multi-year timeframe that began July 1, 2024.
- Launched upgrade of NHRS' member and retiree online portal, *My Account*.
- Maintained and expanded various cyber-security enhancements designed to protect the security of our system and member/retiree personal information.

NHRS Challenges and Opportunities



Significant challenges/opportunities faced by NHRS

- Build on the PAS implementation by monitoring member and employer service levels and developing a long-term plan for future service enhancements.
- Continue to review the investment portfolio to meet or exceed assumed rate of return of 6.75% over the long term, while at the same time managing risk, return, and liquidity.

Impact of Legislative Changes on NHRS

- Since 2007 there have been more than 110 legislative changes to RSA 100-A. Each of these have required significant costs and efforts relating to pension database modifications and changes to policies, administrative procedures and constituent communications.

NHRS 26-27 Budget Review



Historical Budget vs Actual Administrative Expenses

FY	2024*	2023	2022
Operations Budget	\$10.6M	\$10.1M	\$9.6M
Operations Actual	\$10.9M	\$9.5M	\$8.8M
PGV3 Budget	\$2.4M	\$2.1M	\$2.7M
PGV3 Actual	\$2.8M	\$2.2M	\$1.4M
Total NHRS Budget	\$13.0M	\$12.2M	\$12.3M
Total NHRS Actual	\$13.7M	\$11.7M	\$10.2M

**Actual expenses exceeded budget due to balances that came forward for prior year commitments.*

NHRS 26-27 Budget Review



- The FY 2026-2027 NHRS operating budget was approved by the Board of Trustees.
- The House passed back of the budget reductions of \$4.2 million in FY26 and \$4.5 million in FY27 with little or no debate and no opportunity for NHRS to present its perspective.
- The NHRS budget is wholly funded from trust fund assets and does not include any State funds (i.e. General Funds). A back of the budget reduction will not free up funds for use elsewhere.
- The three-year strategic plan is intended to address deferred initiatives put on hold over the past five years due to the focus on the major upgrade to our 20-year-old pension administration software (“PGV3”).
- The two-year, \$38.7 million budget includes a 41% increase for FY 2026 over FY 2025 and a 1% increase for FY 2027 over FY 2026, primarily driven by IT upgrades, modernization projects, and salaries and benefits to support new staff positions aligned with the strategic plan.

NHRS 26-27 Budget Review

NEW HAMPSHIRE RETIREMENT SYSTEM BUDGET REVIEW STATUTORY ADMINISTRATIVE BUDGET FY 2025 Through FY 2027

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
	FY 2025	FY 2026	FY 2026	FY 2026	FY 2027	FY 2027	FY 2027
	Adj Auth	Agency	Governor's	House	Agency	Governor's	House
	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
1 Statutory Budget							
2 Salaries & Benefits:	\$8,898,138	\$11,822,733	\$11,822,733	\$11,822,733	\$12,975,756	\$12,975,755	\$12,975,756
3 Information Technology:							
4 Technology-Software & Hardware	\$2,918,000	\$4,288,000	\$4,288,000	\$4,288,000	\$3,300,000	\$3,300,000	\$3,300,000
5 All Other Administrative Costs:							
6 Current Expenses	\$232,075	\$295,875	\$295,875	\$295,875	\$246,025	\$246,025	\$246,025
7 Rents & Leases	\$461,000	\$473,200	\$473,200	\$473,200	\$505,840	\$505,840	\$505,840
8 Utilities	\$165,000	\$212,000	\$212,000	\$212,000	\$246,000	\$246,000	\$246,000
9 Building Maintenance	\$110,000	\$133,000	\$133,000	\$133,000	\$151,000	\$151,000	\$151,000
10 Equipment	\$28,950	\$80,000	\$80,000	\$80,000	\$82,500	\$82,500	\$82,500
11 Consultants	\$250,000	\$605,000	\$605,000	\$605,000	\$565,000	\$565,000	\$565,000
12 Retiree Health Care	\$165,200	\$174,000	\$5,174,000	\$174,000	\$208,600	\$28,108,600	\$208,600
13 Education & Training	\$85,500	\$169,900	\$169,900	\$169,900	\$175,500	\$175,500	\$175,500
14 Other	\$318,415	\$1,001,305	\$1,001,305	\$1,001,305	\$1,015,755	\$1,015,755	\$1,015,755
15 Subtotal All Other Adm Costs	\$1,816,140	\$3,144,280	\$8,144,280	\$3,144,280	\$3,196,220	\$31,096,220	\$3,196,220
16 Total	\$13,632,278	\$19,255,013	\$24,255,013	\$19,255,013	\$19,471,976	\$47,371,975	\$19,471,976
17 % Change		41%	78%	41%	1%	95%	1%
Funding							
18 House back of the budget reduction				\$ (4,225,013)			\$ (4,471,976)
19 Other Funds (Trust Fund)	\$13,632,278	\$19,255,013	\$19,255,013	\$15,030,000	\$19,471,976	\$19,471,975	\$15,000,000
20 General Funds	\$0	\$0	\$5,000,000	\$0	\$0	\$27,900,000	\$0

NHRS 26-27 Budget Review



IT Projects Deferred and Impact to NHRS and its Members

- **Financial system upgrade – software no longer being supported**
- **Improved annual GASB reporting software**
- **Update NHRS website and related communications**
 - Required ADA compliance by 2027
- **Improve MyAccount member portal and web-based app**
- **System security**
 - Transition network applications to the Cloud
 - Bank account validation software
 - Safeguard the assets and private information of NHRS
- **Improve document management system and record retention**
- **Software changes related to Legislative benefit changes**

NHRS 26-27 Budget Review



HB 1-A - AS AMENDED BY THE HOUSE

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1 8 Legislative Branch; General Fund Appropriation Reductions. The legislative branch shall
2 reduce state general fund appropriations by \$500,000 for the fiscal year ending June 30, 2026, and
3 \$500,000 for the fiscal year ending June 30, 2027.

4 9 Office of the Governor; General Fund Appropriation Reductions. The office of the governor
5 shall reduce state general fund appropriations by \$50,000 for the fiscal year ending June 30, 2026,
6 and \$50,000 for the fiscal year ending June 30, 2027.

7 10 Department of Information Technology; Appropriation Reductions.

8 I. The department of information technology shall reduce shared appropriations by
9 \$5,000,000 for the fiscal year ending June 30, 2026, and by \$5,000,000 for the fiscal year ending
10 June 30, 2027.

11 II. The department of information technology, in consultation with the department of
12 administrative services, shall proportionally decrease the funding allocated to the class 027
13 expenditure class lines of each state department or agency by their respective portion of these
14 department of information technology shared costs.

15 11 New Hampshire Retirement System; Other Fund Appropriation Reductions. The New
16 Hampshire retirement system shall reduce other fund appropriations by \$4,225,013 for the fiscal
17 year ending June 30, 2026, and \$4,471,976 for the fiscal year ending June 30, 2027.