A Special Meeting of the Board of Aldermen was held Tuesday, September 21, 2021, at 7:01 p.m. in the Aldermanic Chamber and via Zoom teleconference which meeting link can be found on the agenda and on the City's website calendar.

President Lori Wilshire presided; Deputy City Clerk Allison Waite recorded.

Prayer was offered by Deputy City Clerk Allison Waite; Alderman Ernest Jette led in the Pledge to the Flag.

Let's start the meeting by taking a roll call attendance. If you are participating via Zoom, please state your presence, reason for not attending the meeting in person, and whether there is anyone in the room with you during this meeting, which is required under the Right-To-Know Law.

The roll call was taken with 12 (8 in attendance and 4 via Zoom) members of the Board of Aldermen present: Alderman Michael B. O'Brien, Sr., Alderman Richard A. Dowd, Alderman June M. Caron, Alderman Benjamin Clemons (via Zoom), Alderman Thomas Lopez, Alderman David C. Tencza (via Zoom), Alderwoman Elizabeth Lu (via Zoom), Alderman Ernest Jette, Alderman Jan Schmidt, Alderman Brandon Laws (via Zoom), Alderman Skip Cleaver (via Zoom), Alderman Linda Harriott-Gathright, Alderman Wilshire.

Alderman Patricia Klee and Alderwoman Shoshanna Kelly were not in attendance.

DISCUSSION

Discussion with New Hampshire Retirement System

President Wilshire to introduce Marty Karlon and Jan Goodwin from the NH Retirement System.

President Wilshire

I'm sorry for all the technical difficulties for our guests. I'm going to turn this over to you Mr. Karlon.

Marty Karlon, Director of Communications and Legislative Affairs

Thank you for the technical difficulties. I'm having some of my own trying to load a PowerPoint on this laptop. I think our IT Department is (inaudible) and it's almost impossible to open a file on here. So I did bring hard copies to go through. It's a little old school but I'll distribute those because I don't think this is going to open. While I'm doing that, this is our Executive Director Jan Goodwin and she can have some opening remarks before we get to the presentation.

Jan Goodwin, Executive Director of NH Retirement System

So thank you very much members of the Council for inviting us to come and talk to you about the retiree system. We've got a talk that we've prepared for you that's about the past, present, and future of NHRS that will explain to you why the contribution rates are what they are now and what we're thinking they'll be in the future.

If you'd like, we can start without the electronic slide show and we can just tell you when to turn the page if you'd like.

Alderman Dowd

Excuse me. With the masks, you have to pull the microphone very close.

Jan Goodwin, Executive Director of NH Retirement System

Okay. Thank you very much for that suggestion.

Marty Karlon, Director of Communications and Legislative Affairs

Apologies. It apparently is on this laptop. It won't allow me to open the file. I'm going to close out. Again, apologies. Would you prefer us to stand when we're presenting?

President Wilshire

No you're fine seated. That's fine.

Marty Karlon, Director of Communications and Legislative Affairs

Just for the record, my name is Marty Karlon and I'm the Director of Communications and Legislative Affairs at the Retirement System. I've been there about 11 years. I'm going to do the first half of the presentation which deals with some of the issues that occurred in the past and how they brought us to where we are now. Then Jan is going to take the presentation home with a look at some current numbers and where we're headed. I'll be glad to take questions from the panel if at the will of the Chair during or we can take them at the end, whichever you all prefer. Whatever your style is.

Really you know especially with the New Hampshire Retirement System and the timescales it works on – you need to sort of understand the past and some decisions that were made back then to see – to get a better picture of where we are now, and how we got there, and what's been done about it by both the Retirement System, the legislature, and everyone else. So I'll go to slide two which is just the beginning. NHRS is an entity and has been around since 1967. There were separate retirement plans for the four member groups that we independently governed by different boards and the legislature combined and consolidated those plans at the NHRS back in '67. As it is now when the plan was set up, there were two membership categories. Group I which is employees and teachers, and Group II which is police and fire. Our plan is for full-time employees only.

At the time the plan was set up, the State contributed 40 percent of the employer contributions for teachers only. That was a holdover from the predecessor teacher plan that the State had at least since the early '50s as far back as I could confirm and always contributed 40 percent of the employer costs towards teachers.

In 1977 on slide 3, that employer subsidy was modified and expanded. The State reduced the teacher contribution from 40 percent to 35 but at the same time created a 35 percent contribution subsidy for police officers and firefighters for the cost of the communities contribute to the retirement system for those positions. I believe in 1974 there were improvements to the Group 2 police and fire plan and the bills were coming due on that with the '77 rates and I think was one of the reasons that spread the legislature to take this action. That subsidy had been in place for many years until it was reduced in 2009 and then eventually eliminated a couple years later.

So moving to slide 4 - 1983. We call this one heads I win, tails you lose and the issue here and the decision was that it was a relatively young plan. There were far more active members than retirees than in cost of living adjustments were being paid for either through the general fund or through some other employer assessment formula. But you know in the long term, policymakers looked at that and said you know as the retiree population grows, you know, we need to have a better, more stable source of funding for COLAs - cost of living adjustments - than the general fund. So they created what was called, "the special account" at the time and this was funded by, and it's in quotes, "excess earnings". This was essentially when our investment return exceeded a certain point. Any funds over and above that, that return were segregated in the special account to pay other COLA or post-employment benefits. So it was seemed like a good idea when you were exceeding your assumed rate of return as a model, but it did not prove to be the case over the long term and that was the funding particularly for the medical subsidy benefit was determined to be an IRS issue with the special account In the early mid 2000s and it was repealed in 2011. So this is one of the first steps to creating a structural unfunded liability with the retirement system and it plays into some decisions in the '90s and then some economic impacts in the 2000s is one of the sort of the legs of how we got to where we are liability wise.

1984 - a Constitutional amendment was passed in New Hampshire by referendum Article 36A and that did three things essentially. It established the pension funds in the trust are for the exclusive benefit of NHRS members not to be diverted for any other purpose. It required the trustees to set actuarially sound employer contribution rates so they, you know, then would have any leeway on what the actuary crunches the numbers and they go with that. Then it also required employers to pay those rates in full each fiscal year.

Now, this distinguishes NHRS from several States around the country that you might have heard about if you follow pension issues where funding levels are and liabilities are much greater than in New Hampshire, such as Illinois, New Jersey, Kentucky, and in those jurisdictions, there is no Constitutional provision. So the legislature grants as much money as it feels like you can afford that year. So they're not necessarily fully funding their pension obligations as they're accrued and that's a hole that you just keep digging and it gets harder and harder to get out. We had 36A in New Hampshire and I think there was a Constitutional convention a few years earlier and this was one of the proposals that came out of that. There were some unsuccessful attempts by governors in the '70s and '80s to borrow against the trust fund for other State priorities or defer payments of their State's pension obligation. So that's where 36 A came from.

The following year, and this was sort of wending parallel tracks through the courts. There was a Supreme Court case Sununu v. NHRS and obviously Sununu the elder. The issue there was whether the Executive Council could approve NHRS contracts for vendors, and investments, and such, and the court found that we are not an executive branch agency and we're operating for the exclusive benefit of the members. So that sort of got us farther removed from the hurly burly of State government in the Executive Branch.

Alderman O'Brien

One question, Madam President, if I may

President Wilshire

Alderman O'Brien.

Alderman O'Brien

Yes. Mr. Karlon are you sharing the screen? Did you get the program working?

Marty Karlon, Director of Communications and Legislative Affairs

It's still frozen. So…

Alderman O'Brien

Okay cuz I took this – I've received some text. Since it's still frozen, I took it down to go back on. Did you want to back up where it's still frozen?

Marty Karlon, Director of Communications and Legislative Affairs

Probably not. It's just my file is open here and I suspect…

Alderman O'Brien

Okay. That's why I took it down. Okay. Thanks you Madam President.

Marty Karlon, Director of Communications and Legislative Affairs

(inaudible) that even opening one of my own files has become problematic. We haven't been out on the road, obviously, very much in the past year and a half either. Good break for a question because the next slide is "1991 Digging the Hole". This is a really significant slide and I'm probably going to talk more about it than I need to but this is sort of an extremely important issue that kind of led us down the path we were.

So it a little bit further back in the late '80s, we had a couple of very strong investment years in excess of 25% in back to back years and there was some (inaudible) in the legislature in '88 – '89 to increase or improve benefits for our membership in Group I and Group II include creating a medical subsidy benefit that was initially only for Group I. What happened is the way our rates are cycled, the State is on a two year budget cycle and that follows our rate cycle. So the 1989 valuation is what would ultimately lead to the 1992 - '93 fiscal year rates. So in the interim between 1989 and '91, you know we had a recession across the country. New Hampshire was hit particularly hard and I recognize several of you from when I lived in Nashua and you were around back then. Banks were closing left and right on Main Street, condos were underwater, and there were a lot of pressures on both the State and local governments. I think Nashua was even also impacted by a revaluation that sort of shifted the tax burden because the commercial property had dropped so much.

So you know as that was coming, the rates for '92 – '93 we're going to be on a percentage increase basis significantly higher than they were in prior years. I mean they were still much lower than they are an absolute percentage is now, you know, but even that increase was difficult for policymakers to want to undertake in the recession. So there was legislation adopted in 1991 that did a few things. It changed the actuarial method - the way the actuarials crunched the numbers to develop the rates to an open group aggregate. It was an actuarial methodology that was allowed at the time and it stretched liabilities out over a much farther period. So it lowered, you know, the rates in the short term but it was sort of design where you'd almost never catch up. They also by legislation set our assumed rate of return at an extremely high level and this was going to be sort of a temporary stopgap solution to get the '92 – '93 rates recertified.

So, you know, this is one where you could say how could this happen. I think people trying to make, you know, reasonable decisions based on the information they had.

You can point fingers in every direction to say who should have spoken up, including our Board, membership, employers, you know, but you know, it happened. It was not a temporary solution. The mandate on the assumed rate of return was repealed the following year, but that Open Group Aggregate stayed as the method for calculating rates through the 2009 rates. So that was essentially like drilling a hole in the bottom of your boat and forgetting about it for 18 years and then when your ankles get wet, you wonder what happened. So you know and those changes were in the early years, sort of papered over by the fact that we did have a very strong 1990s like anyone in the markets. We had I think eight years out of nine where it was 10 to 20% return. So the special account was getting filled. We were still hitting our return assumptions and we had this technical term would be “funky math for calculating our rates” and things were swimming along until the early 2000s, when we had the .com bubble in the recession after 9/11. That got the legislature thinking that maybe this wasn't the right way to do it and, you know, constituent groups and ultimately in 2007, some legislation was adopted, replaced the Open Group Aggregate with Entry Age Normal, which is right now the only standard way to calculate rates allowed under GASB and actuarial standards and created the 30 year amortization of the unfunded liability, which at the time was 2.4 billion. The liability was hidden. The number looked much lower when you were using the Open Group Aggregate Method. So it was a bit of a, you know, a shock. The special account funding to that was cut off until certain triggers were matched. So no more money was flowing from investment income into the special account and they also created a commission in HB 876 to make additional recommendations of reform of the retirement system was essentially what we're referring to was the first “Decennial Commission”.

President Wilshire

Alderman Jette do you have a question?

Alderman Jette

Yes. You mentioned “GASB”. What is GASB?”

Marty Karlon, Director of Communications and Legislative Affairs

Oh Governmental Accounting Standards Board. It's not a mandate, but to get a clean audit opinion, it needs to adhere to the GASB standards for different things.

Alderman Jette

Thank you.

Marty Karlon, Director of Communications and Legislative Affairs

You’re welcome. So in 2008, additional legislation followed the 2007 changing the methodology and closing the loop – vetting a closed period on the debt was sort of foundational issues that shored up you know, patch those holes in the floor and you're still up to your ankles in water but, you know, there's no more water coming in.

In 2008, the legislature made additional changes. They created an Independent Investment Committee to manage the plan’s investments, transferred money from the special account into the body of the trust fund to mitigate some of the employer costs of the time, froze the medical subsidy benefit, which is essentially very close now but the increases in it were frozen, and revise the definition of earnable compensation. So what employees and other members earn not all the pay types are allowed. They previously had been. There was a lawsuit challenging some of these decisions. It went on for several years and will kind of close the book on the lawsuits on us on a future slide. So, you know, that was more cleanup. 2007 - 2008 combined, you know, we're sort of dealing with some structural issues.

In 2009, obviously, 2008 - 2009 Great Recession. You know, dire days for all and the State was looking to manage its funding as well. So it that employer subsidy I talked about earlier that had been around since the late ‘70s was lowered by legislation to 30% in fiscal 10 and 25% in fiscal ‘11. It was slated to bounce back to 35% in fiscal ’12 but in 2011, that was repealed entirely instead. So you know, that also drew a lawsuit from school districts, and counties and employers. That was decided, I think in 2014.

Then 2011. So we talked about structural things. We talked about State funding for employers. In 2011 - 2012, the legislature came in and sort of looked toward the benefit side towards the member side is to what to cut and how to manage that. So through what it ultimately became part of House Bill 2, which is the Budget Trailer Bill but there was by far the most significant changes to the pension system since it was established. In a set of changes, member contributions were increased as a percent of pay. Several benefit provisions were reduced for non-vested active members and for future hires. Some of the pension formulas themselves were changed so they would generate a lower result for, you know, non-vested in future generations. It changed the composition of our Board of Trustees to bring more employers on, you know, a huge slate of changes.

Essentially at that point, you know, we had two benefit plans - Group I and Group II and what this did was created three tiers of benefits within each group. So there was a lot of changes there. Again, these provisions drew two lawsuits against the State. One specifically on the increased to member contributions and one basically on everything else in it. Over a period of decisions between 2012 and 2016, the Supreme Court decided in favor of the State and all of these cases. The City of Concord was the lead plaintiff in the employer subsidy case. They said that was not an unfunded mandate. In all of the benefit cases that were brought by various labor groups, you know, in other interested parties, they claim the court found that those were not an unconstitutional breach of contract and they introduced into New Hampshire the legal concept of the “unmistakability doctrine”, which has been applied in other States if the legislature does not have an unmistakable intent in passing legislation that does not represent a contract and can be changed by future legislative bodies. So everything that, you know, passed between 2007 and 2011, all stood up in court.

So brought us to 2017. A lot of the heavy lifting was done but, you know, the smoke had not yet cleared and the commission to look at the long term viability of the retirement system, which was created in 2007, was going to convene every 10 years. So we had Decennial Commission in 2017 that met for a period of three or four months in the fall of ’17 to look at the plan. Folks from all ends of the political spectrum, and the members, employers, retirees, legislators, local representatives, because about a 21 member commission, looked at that and they made several suggestions. They thought that overall the funding progress was moving in the right direction but they suggested revisions to working after retirement for NHRS retirees with participating employers. They adopted layered amortization which is sort of a difficult concept for a non-actuarial like myself to convey but basically, it's a mechanism to reduce a lot of volatility with future liabilities by spreading them out over 20 year periods going forward. We'll talk a little bit more about that on one of the funding slides.

They recommended a one-time payment to retirees in lieu of a cost of living adjustment because of costs, made several other proposals that were ultimately adopted by the legislature. Some as is some with, you know, legislation, legislative negotiation, modifying them a little bit. The Commission actually had funding from the State and they used some of that money to hire the Center for Retirement Research at Boston College to do sort of an independent third party review of NHRS and the changes that the legislature has made over the past 10 years. If you're not familiar and, you know, they're not in the headlines that much, but they are very well regarded nationally as a nonpartisan Retirement Research Center both in public and private sector, retirement issues. They do a lot of work. You'll hear them on the nightly business review and things like that quite a bit representatives from there. They looked at NHRS and found that in 2017, we use among the more conservative assumptions for mortality and rate of return compared to other State plans which they created as a good thing. They found that our investment returns over the trailing preceding 10 years exceeded most other plans. We were above average with returns and sort of a head scratcher for everybody in the room ourselves included because we hadn't crunched those numbers was that our total government costs for NHRS at the time were lower than the national average. Fifteen percent (15%) of government spending to 18% nationally, which was an eye opener.

They also were charged with looking at why has the unfunded liability grown since 2007. Again, it was 2.4 billion than it was 5 billion as of 2017. What they found were three main drivers to that. We have the great recession and had a significant loss in fiscal ’09 15 percent and we’re digging out from under that for the next 10 years. What reductions to our assumed rate of return over that period and finally, a level percent amortization. This plays into how the pension debt is being funded down through employer contributions and level percent is set up so that we're not quite paying off the principal in the early years like a mortgage. You're almost just making the interest payments or even less than that. So the liability sort of grows is an intended consequence of the plan. We've just kind of crossed over into not negative amortization in this past year. So that's their take on where we were at, you know, which was fairly detailed. That report and the Decennial Commission's report are both available on the State website and MRRs if anybody is interested and I could follow up with a link to it to Linda.

That kind of brings us to the present. So I'll give you a break from my voice and let Jan take over. But at the break if anybody has any questions about anything, I'd be glad to try to answer them.

<u>President Wilshire</u>

Anyone have any questions at this point. Seeing none.

Jan Goodwin, Executive Director of NH Retirement System

Thank you. So we're on slide 15 now and fortunately, the past does not always repeat itself. Here are some of our key actuarial metrics and what they mean. NHRS's assets continue to grow and as of June 30 of this year, they're now at $11.3 billion. Although our unfunded actuarial accrued liability the UAAL - that's the difference between the actuarial value of assets and the benefits our members have earned continues to grow. That growth is largely attributable to the interest accrual on the unfunded liability each year and the decreases and the assumed rate of return for the investment portfolio.

As Marty mentioned earlier, the 30 year amortization of the unfunded liability began in fiscal year 2010. Just as with a 30 year mortgage on your home, the payments in the initial years primarily go to interest and like the amortization schedule for your home's mortgage, we have now reached the tipping point after which the employer contributions will be increasingly allocated to the principle on the unfunded liability.

Our funded ratio, the ratio of our actuarial value of assets to the pension benefits our members have earned is 61% as of last June. It's important to consider the funded ratio in the context of what is expected for the retirement system. It's possible to have two retirement systems with a 61% funded ratio and one of the plans may be significantly more sound than the other. In NHRS's situation, we have a plan to get to 100% funding thanks to the Board's commitment, and statutory, and constitutional provisions that have put us on the path to 100% funding in about another 18 years.

We have about 48,500 members as of last June. This number has remained fairly constant since 2011. In contrast, the number of our retirees and beneficiary recipients continues to grow and it was 39,600 as of last June. In 2010, there were only 27,100 retirees and beneficiary recipients. The reason why NHRS exists is to pay pension benefits. This past fiscal year we paid over $860 million in pension benefits and medical subsidies to our retirees and beneficiaries. According to the National Institute on Retirement Security, these benefits help drive the New Hampshire economy. According to their 2021 Pensionomics report, the net benefits supported 8,495 jobs that paid $493 million in wages and salaries. As you can see, 80% of our retirees stay right here in New Hampshire. Slide 16.

The number of actives is remaining constant while the number of retirees and beneficiary recipients is steadily growing. While the ratio of active members to benefit recipients is getting closer to a one-to-one ratio that does not mean that the long-term viability of NHRS is threatened. There is a sound funding plan in place as Marty mentioned earlier. Slide 17.

The value of the NHRS investment portfolio continues to grow. Needless to say it is affected by the downturns in the financial markets. However, it has improved significantly since the fiscal year 2020 downturn, which was largely caused by the pandemic. Next slide, slide 18.

This slide shows how NHRS is funded ratio has increased overall since 2010 and as of June 30, 2020 is 61%. In contrast, the average funded ratio for a US public pension plan has decreased over the same timeframe. And so it an NHRS is funded ratio is the lower of the two lines and the average national plan is shown on the upper line.

As the three triangles indicate over the same time, NHRS has reduced its assumed rate of return on its investments from 8.5% in 2011 to 6.75% in in 2020. NHRS has gone from having one of the highest assumed rates of return in the 1990s to one of the most conservative assumed rates of return today. The assumed rate of return reflects the expected earnings on the different parts of our investment portfolio. These returns and the underlying inflation assumptions may change over time.

Slide 19. Fiscal year investment returns reflect the financial market volatility of those time periods. Fortunately, the downturns caused by the .com bust, the great financial recession, and today's pandemic has all been followed by recoveries that often exceed the downturns. For the fiscal year ended June 30, 2021, our net investment return is 26.8% which is 1.4% over our benchmark. This chart illustrates why actuaries use their five year smoothing convention for asset valuation and calculating the actuarial…

Mayor Donchess

I'm sorry. I lost where you get this 26% on one of those slides.

Jan Goodwin, Executive Director of NH Retirement System

I'm sorry. We did not update this slide banking to reflect that to 2021.

Mayor Donchess

Oh okay. Sorry.

Jan Goodwin, Executive Director of NH Retirement System

No worries. Without this five years smoothing, the employer contribution rates would experience significant swings every few years. Slide 20. The employer contribution rate for NHRS has three separate components: normal cost, unfunded liability amortization, and the medical subsidy. Let's look at these one at a time.

The normal cost is the percent of payroll that is necessary to pay the current cost of the pension benefits as they accrue for our members. As you can see in the text below the chart, NHRS members pay a substantial proportion of the total normal costs of their pension benefits. The largest part of the employer contribution rate is the pay down of the unfunded liability over time. As Marty mentioned earlier, the employer contribution rate has to be sufficient to amortize the unfunded liability over the remainder of the 30 year closed amortization period. This combined with changes in the actuarial assumptions can make for significant increases in employer contributions every two years. As you well know, when the NHRS board sets the employer contribution rates to fulfill its fiduciary, statutory, and constitutional duties.

The medical subsidy is the smallest part of the employer contribution rate for a couple of reasons. First, those eligible for the subsidy are essentially a closed pool of slightly less than 10,000 individuals either currently receiving the subsidy or eligible to receive it upon retirement. And second, the funding of the subsidy is on a pay as you go or solvency basis similar to Social Security so there is no amortization goal of reaching 100% funding as there is with the pension benefit.

Slide 21. So how do NHRS's practices line up with best practices for well-funded public pension plans? In 2011, the National Institute on Retirement Security examine several well-funded public pension plans to identify what elements they all have in common. As you can see, these are the six different items and I'll compare how NHRS stacks up against each one. Employer contributions that pay the full amount of the annual contribution. Yes. And that maintains stability over time. Not so much because they do vary a great deal from one year to the next.

Two - employee contributions help pay plan costs. And yes, they definitely do here in New Hampshire. Do the benefit improvements are they actuarially valued before adoption and properly funded upon adoption? Yes. That's also true in New Hampshire. Costs of living adjustments are granted responsibly. Yes. That happens. Anti-spiking measures are in place. Yes. And the economic actuarial assumptions can be reasonably expected to be achieved over the long term. Yes. Based on this, I would give NHRS a 5.5 out of a possible score of six.

President Wilshire

Alderman O'Brien did you have a question?

Alderman O'Brien

Yes. May I ask a question please?

Jan Goodwin, Executive Director of NH Retirement System

Yes, Sir.

Alderman O'Brien

You say cost of living adjustments have been granted responsibly. When was the last one and when was the last one prior to that so that the public knows what the definition of responsibility is with this?

Jan Goodwin, Executive Director of NH Retirement System

The last one was granted in 2019 and took effect in 2020. And as to the one before that, I'm going to have to defer to Marty on that.

Marty Karlon, Director of Communications and Legislative Affairs

In 2010.

<u>Alderman O'Brien</u>

So there's about nine years difference between approximately with that. Okay. And can you also define what is anti-spiking measures?

<u>Jan Goodwin, Executive Director of NH Retirement System</u>

Yes. Anti-spiking is when someone, a member deliberately tries to increase their salary so they will have a higher pension. So the way we do that is the changes that were made in 2011 and the access of compensation over base was considered when determining what someone's pension benefit is so that has been (inaudible).

<u>Alderman O'Brien</u>

All right. If I may follow up, you know, not to get into any debate but I always felt that this kind of hurts the pension system because if you take in the example of a police officer who was working overtime at a construction site, when he used to get paid, you know, in the back, part of that overtime from that detail was cut out into the pension system. So by these anti-spiking measures have they crippled the pension system by allowing what the police officer in my example, by contributing to the pension system? I wonder how many hundreds of 1,000s of dollars that could have could have been lost here.

<u>Marty Karlon, Director of Communications and Legislative Affairs</u>

I can jump in. I think with the issue of spiking, and it is a very fraught, you know, issue, you know, politically in some States. You know, it's more the timing of the payments. You know, if someone was working detail or over time throughout their career, you know, that money is coming in on a regular basis throughout, you know, a 20 or 30 year career we've got. We're investing that money for decades or as someone who only works and gets extra money in their final years, you know, when it's going to reduce their permanent lifetime benefit significantly but that money hasn't been growing for them over that time. So even before the changes in 2011, back in 1990, the legislature did put a cap on the members last year of earnable compensation and anything more than 150% of the next highest year…

<u>Alderman O'Brien</u>

Right. Correct.

<u>Marty Karlon, Director of Communications and Legislative Affairs</u>

…doesn't count against the pension. These folks get all the money that they earn. They just wouldn't put in pension contributions nor would the employer or any of these, you know, above the cap level. So, yeah, so that it's more of a timing issue with this spiking then...

<u>Alderman O'Brien</u>

And I thank you. I mean, the thing is when does that member get that money back out of the system his first pension check or the one before he dies? I don't know. You know what I mean. But…

<u>Marty Karlon, Director of Communications and Legislative Affairs</u>

On average what the folks who are involved with the numbers tell me that, you know, the first five to seven years for a typical member, you know, their benefit is their money coming back to them and then, you know, for however long they live beyond that it's money from the overall trust fund funding their benefit. If a member does pass away before all of their money is paid back to them, their beneficiary is going to get it back one way or the other either as a lump sum or if they chose a survivorship option to leave some of that benefit to a beneficiary. They get the money back. You know the IRS frowns on us keeping members money. So sometimes we have to hunt down people in their 70s with a required minimum distribution and start paying the money even though they haven't come to us.

<u>Alderman O'Brien</u>

Okay. I thank you both because I think we both agree that if a person is paying some of their shift coverage or overtime pay into the pension system, it benefits the pension system, you know, then not doing it. So anti-spiking, I have a little problem with that definition or what it's actually doing. I think its taking money out of the system. Thank you.

Mayor Donchess

Well, of course, we're trying not to shoot the messenger here because I know…

Alderman O'Brien

Right and I hope you understand that.

Mayor Donchess

I know that most of the policies are set by the legislature and you carry out those mandates by and large. But just to get some basic facts. So you said that last year, the pension system paid out $860 million in benefits. What did you take in from employers and employees? Do you know that?

Marty Karlon, Director of Communications and Legislative Affairs

Fiscal 20 was cash flow negative because we had a 1.1% investment return? So the trust fund was essentially flat it went from like 9.18 to 9.34. It was a slight loss. This past year, you know, we had a large investment return. So you know, it's a much more cash flow positive.

Mayor Donchess

I see.

Marty Karlon, Director of Communications and Legislative Affairs

Actually speaking of the pension benefits, I did a little crunching just for the benefit of this body. I thought you might find it interesting. You are our second largest employer - the City of Nashua because Manchester city employees are in a separate plan. So you are number two to the State with about 1,900 active members as the last fiscal year. There were about 17,050 Nashua city and school retirees currently receiving a benefit or the beneficiary is receiving that benefit out of our nearly 40,000 folks and the average Nashua pension benefit for somebody who retired from the city is 28,500 which is a little bit larger than the overall average benefit statewide, which is 20,841. So you know, the 285 times, you know, about 17,850 people. That's about 15 million in pension benefits paid to Nashua retirees last year.

In terms of city residents, and this could be you know folks who work for Nashua and still live here or folks who work in Hollis, or Hudson, or wherever. You know just folks in the Nashua zip codes, we paid out $25.4 million in Fiscal 20 to folks living in the city limits.

Mayor Donchess

So I think Mr. Karlon your predecessor - I just wanted to see if you said still think this is correct - your predecessor I heard state a few times that 80% of the money being paid in by municipal employers such as us is to help with the unfunded liability as opposed to meet the obligations that you expect from the current employees and that's still the case?

Marty Karlon, Director of Communications and Legislative Affairs

That is still the case. Unfortunately, this generation of elected officials is bearing the brunt of, you know, bad policy decisions 30 years ago. Honestly, I think if either one of us were in any of your seats, we would feel the same way you do about…

Alderman Lopez

I think some of us has been around that long.

Mayor Donchess

Now of course the frustration here, in part and I'm sure you've heard this many times, comes from the fact that Nashua pays - I believe our budget for Fiscal 2022 is, which we just began, is $29 million which really is, you know, nearly 15% of the tax burden. So, you know, on a person who's paying, say, $6,000 or $7,000, $1,000 of that is, you know, in property taxes. $1,000 of that is going to the pension issue which, you know, is difficult and painful, and reduces the ability of the city to deliver basic services, schools and everything else. I mean, it's just drives property taxes so high.

But let me let me ask this kind of basic question. Why does it matter so much that we go to 100%? And I pose the question with this context. You know if GM has a, you know, a big pension system with a huge unfunded liability, I believe, if they go bankrupt, which could happen, the pensioners don't get paid. I mean, that's a problem, obviously. Now this New Hampshire retirement system has $11 billion in its coffers, so to speak but with the amount of money you have coming in and with some degree of investment return, it seems that you will always have enough to pay current benefits. The situation I just suggested for GM is never likely going to happen. I mean, the State will never go bankrupt or never end its existence. And therefore, will never be in a situation where it cannot - even if we just stayed at 61%, we'll never be in a situation where it actually has to pay out everyone with nothing coming in because the only way that this system would ever end is if the State ended, which means the United States ended, which means that there is no pension. Pension assets are worth nothing. You know - stock market. If the country ends, none of this stuff is worth anything. So aren't we sort of, you know, taking all this pain and all the money that we're putting in to achieve basically when we're talking about a government entity such as this, a kind of an academic result, which is this idea that we have to go to 100%. But is that really necessary in the context of a State that is, you know, one of the 50 that comprises the United States?

Jan Goodwin, Executive Director of NH Retirement System

Yes Alderman, you are correct. We can continue to pay all of the benefits as they come due while being 80% funded. However, that's not good fiduciary practice. The standard that any actuary will tell you is that you want to be 100% funded. And one of the reasons why you want to be 100% funded is when you look at your own - the City of Nashua's financial statements, you have to pick up a proportion of the unfunded liability of NHRS on the face of your financial statements. And…

Mayor Donchess

Well that's true but we can deal with that. I mean you're not ask, yeah okay there's this theory put forth by the actuaries that we should be at 100%. Yes but they don't have to pay the money and they don't have to, you know, it's an academic issue. That doesn't address the basic question I asked, which is the only way this system would ever end even if we stayed at 60%, or 65, the only way that it would ever end is if the State went out of existence. I mean and when that happens, it doesn't matter if we're at 60% or 80, or at 100 because none of the assets will be worth anything. So why is it so necessary in the context of a State? For the reasons that I've indicated, why is it so necessary to go to 100%? You'll always be able to pay the benefits as long as the country is still in existence.

Jan Goodwin, Executive Director of NH Retirement System

Right that is correct. However, I would point out to you that one of the things that makes a difference is that the more fully funded a pension fund is the better it can withstand market downturns. We know they're inevitable. Every few years - every 10 or 15 years, there's a major correction in the market and the lower your funded ratio is when that financial event happens, the greater the hit to your funded ratio.

Mayor Donchess

Well yes, that's certainly the case. Now, I think you said that the return for the year ended this past June 30 was 26%.

Jan Goodwin, Executive Director of NH Retirement System

26.8% yes, that's correct.

Mayor Donchess

What impact did that have on the percentage funded, you know, did it drive that up or what happened?

Jan Goodwin, Executive Director of NH Retirement System

At this point, our actuaries are just beginning their work because our books are not yet closed for June 30 because we're still awaiting the results of the investments of some of our alternative investments. So those take a bit longer to come in and so our actuaries are right now are working on assessing what additional liabilities were added during the past year and the valuation of the assets.

Earlier, you asked what the contributions were that came in during the past year. There was a total of $722 million in contributions. Yes this is less than the benefits that were paid and as Marty said, we are in a negative cash flow position. But I would like you to know that this is very typical of what is referred to as a mature pension plan. That's why we have the assets to pay the benefits.

Mayor Donchess

Just so I'm clear on this, so the 61% is as of June 30, 2020 as opposed to 21?

Jan Goodwin, Executive Director of NH Retirement System

That is correct.

Mayor Donchess

So you don't know yet whoever does this hasn't figured out yet what the percent funded is right now given a very strong investment return for the last year?

Jan Goodwin, Executive Director of NH Retirement System

That's correct and I will remind you as we said earlier, our actuaries look at the value of the assets over the past five years to average them rather than just look at the number for one year. As you can see on slide 19, the individual year's investment performance do vary a great deal. That's why they smooth them over time so that we can have a funded ratio that reflects the past as well as the current.

Mayor Donchess

You know the most painful thing that has happened the last few years, this one was, you know, now and then that was four years ago, I think, is the reduction in the assumed rate of return. Because that drives up the contributions without, you know, the employer seeing really any benefit from it really.

So now you're at 6.75%. I noticed that Maine is at the same amount. The small pension that the Nashua runs - small compared to yours for Public Works like, you know, they're 100 some employees now but, you know, they're more beneficiaries. There's actually 99%, funded as of June 30, 2021. And I sort of forgot where I was going with that, but we are, you know, we are 99% funded and so we're happy about what has been achieved by the trustees of the Nashua pension fund. Anyway, I will try to think of a few more questions, but I'm sure others have them.

President Wilshire

Yes. You stated in your presentation that you're very conservative and, you know, that's amicable. That's good as far as the pension plan is concerned. But two things bother me. One is does the pension plan ever take into consideration when they change the rules the impact that's having on the cities and towns of Nashua which may cause people to lose their jobs that are part of the pension plan? You know, you said in one year, you get 1% on $11 million, right, billion?

Jan Goodwin, Executive Director of NH Retirement System

11,038

Alderman Dowd

I'm retired and I have a retirement investment with a company and I've never get below 7% even in the down year. So I don't know how we make 1% with that amount of money. I certainly don't have $11 billion in my account. So that's one thing.

The other thing is that I have a pension from a major company and they are in about any high 80s, mid to high 80s all the time and the end goal keeps getting moved out. Why are we so locked in on one certain year because that kills us as well? So there's several points that that impact cities that I feel should be taken into account by the pension plan. It's a State pension plan and the State doesn't contribute anything anymore. I know that's a legislative thing but to me that's a slap on the cities and towns in the State of New Hampshire. They started the plan with a high percentage and went to zero. And I know you mentioned several times about mismanaging in Concord so I can understand that but a) the percentage of monies that the State pays for the pension plan should be changed. I guess it just missed this past season.

Also, it appears to me that the only reason you get to 100% funding is so you can close down the pension system. You pay everybody off, and have a nice day, go another way. I don't see why anybody has to get to 100%. There's nothing that I can see that drives that. So I think the investments are too conservative. The State's not paying their share and the implications of the percentages that we have to pay as a city and town based on the fact that we're not making out money and our investments which seem to be far too conservative even for a pension plan are costing cities and towns significantly. I think someone needs to look at that and change it. For instance, you just said you made 26% this past year. When is that going to be sent down to the city so we don't have to pay as much? Is that going to impact us in 22? Are we gonna wait and see what happens in ‘23 and it's always way behind?

You know as Chair of Budget, I can tell you that hugely impacts when we start looking at city spending. Quite frankly if it hadn't been for the pension plan and something else, we probably wouldn't have had a tax increase this year in property taxes. It's all being driven from Concord, which I'm including a pension plan. Those are questions I have I have others but I'll just go with that one.

Jan Goodwin, Executive Director of NH Retirement System

I just like to add another reason to get to 100% funding is that we no longer will have to pay off the unfunded liability at that time and at that point, the total contributions for the employer and the members can be closer to the normal cost which is significantly less than what they are now. The normal cost for the different plans is shown on page 20.

Mayor Donchess

I remembered what I was going to ask you which is very related to the assumed rate of return. Do you anticipate another reduction? I mean, it's 6.75%. Isn't that good enough? I mean it seems to be what Maine is doing. It's close to what we're doing. I mean do you really anticipate a drop to six and a quarter or do you think we can stay at six and three quarters?

Jan Goodwin, Executive Director of NH Retirement System

That's hard to say. It depends on what happens. Our actuaries go through a very detailed process of assessing what they think our assumed rate of return is. The first thing that they do is they look at what are the expectations for inflation in the future. And once they do that, then they also look at what they think the different elements of our portfolio will earn. So they come up with a number for what percent return will US stocks have. What percent will US bonds have? International stocks? International bonds? Real estate? Private equity? And they come up with a weighted average that reflects our portfolio and that's how they come up with 6.75%.

So if there are changes in the expectations in the next few years over where inflation is going or what the expected rates of return for different investments if that changes, then the actuary will develop a recommendation for the Board to consider and the Board members are fiduciaries and they have to do what is the right thing for the pension plan and its members. That's their sole responsibility as fiduciaries. Did you want to add anything?

Marty Karlon, Director of Communications and Legislative Affairs

If I can sort of address somewhat Alderman Dowd's question and kind of loop back to the Mayor's question as well about the 100% funding, and I think it's a very reasonable question to ask us that okay, we're going to be paying, you know, 15% of the city budget until 2039, and then we're going to be paying 2%. How is that, you know, make any sense? And that question did come up during the Decennial Commission back in 2017. That's where the layered amortization that I mentioned earlier in brief, you know, came into account and what that is, is, you know, the Commission looked at it from the perspective of, you know, we're reaching, you know, if we get to our 100% funding target, you know, that's, you know, all fall steam ahead. The rates are gonna be what the rates are going to be get there. Then they're going to be extremely low, you know, going forward when we reached that funding level and they felt that well what happens after 2039? What if we have another downturn? What if we are over 100% funded? The rates could, you know, become extremely low. So in the 10 years since 2007 when they put in the 30 year amortization and 30 years seem like a long time to, you know, people 30 years in the past, they, you know, actuarially this concept of layered amortization has come into favor and a lot of States have done this where you freeze the lot - your old liabilities and you pay those off by a hard stop.

They passed the layered amortization language in 2018. So the liability as of July 1st of 2017, which is 5 of the 6 billion, so it's not a small number, that's going to be paid off by 2039 under the current funding plan but the additional billion in liabilities we've added since then primarily due to the rate decrease. To the Mayor's point is going to be paid off in a 20 year layer between 2023 and 2043. So basically we won't be 100% funded by 2039. We don't have to ever be 100% funded again unless the markets, you know, put us over the top, but this layered amortization sort of creates a future buffer so that, you know, the liabilities can't grow to the extent that they have that you all are having to pay for in this moment in time.

Taking 20 year layers of two year, you know, funding return increments going forward - and that includes gains - so this 2021 is going to probably be a gain that we'll be recognizing over 20 years as well. Some of that 26.8%. So it has smoothed it out. It doesn't take away any of the short term pain, you know. We're not saying that but it was a recognition, you know, by the Commission, and legislators, and our Board supported the idea as well that this is a way to get closer to 100% funded but not having to have this, you know, audit, this holy grail of 100% you know I'm July 1st of '39 or June 30th of '39 I should say. So you know there is a little more wiggle room in that now because future gains and losses are going to be spread out. This will be the fourth year since 2017. So it's not smoothing anything much out yet. Most of that debt is still being paid off on top of the existing debt. But the layered amortization, again, it's a very good circuit breaker to keep the liabilities and the funding from getting to where they were in the past. So you know if we can get into a 90 plus percent funded, as Jim pointed out, it's a lot easier to withstand a market downturn. In that case, you know, we lost probably 8 to 10% of our funding ratio and from the low 60s to the lower 50s back in 2009.

State of Wisconsin, which is one of the sort of gold standard plans out there, they were 100% funded in '07. They went down to like 94, you know, and then they got back to full funding fairly quickly in the early 2010. So, you know, the closer you are to full funding, the easier it is to absorb those market swings.

President Wilshire

Attorney Bolton.

Steve Bolton, Corporation Counsel

Is it possible to do more layers and extend things out further? And what I mean is, you started you had a 6 billion unfunded mandate. And you say, okay in 30 years, we're going to take care of 5 billion of that and then we're going to give ourselves another four years to deal with that last 1 billion. Could you said okay in 30 years, we'll take care of the first half - 3 billion - and then over the next 10 years, we'll take care of the next 1 billion, and then 10 years further to take care of another billion, and then 10 years further, another billion? So it will take 60 years instead of 30 years but it spreads it out further. You're always making progress and you don't get these big hits and then dramatic drop off at some point. Maybe at 60 years you get a drop off but the drop off is being gradual and presumably the increases to municipalities would be more gradual than there they are under the current plan. So would that work?

Marty Karlon, Director of Communications and Legislative Affairs

From perspective of actuarial standards, you know, and accounting standards, they promote this theory of generational equity so that the debts that are accrued, you know, the same generation of taxpayers is paying for it as, you know, who were there at the time that the liabilities were accrued. Standards are like 15 to 20 years is what they would consider a generation for the purpose of funding liability. So it would be…

Steve Bolton, Corporation Counsel

It would be certainly not what's happening under the present plan.

Marty Karlon, Director of Communications and Legislative Affairs

Absolutely. You folks in New Hampshire are the poster child for what happens when there isn't generational equity because honestly, you know, anybody who, you know, bought a house 10 years ago, the person who was living there 20 years ago had a pretty sweet deal and you're paying for it now. We need to get away from that.

Steve Bolton, Corporation Counsel

But stretching it out over time seems to be fair in other circumstances. But anyway, so it could be done. You're just saying it would deviate from the principle of generational equity.

Marty Karlon, Director of Communications and Legislative Affairs

The auditors may have an issue with it as well.

Steve Bolton, Corporation Counsel

It seems like there's a willingness to deviate from that principle in the other direction. Thank you.

Alderman Dowd

Yes. I could be wrong and correct me if I'm wrong but it appears to me like you're making your investment decisions on a very short term basis and because of a downturn in the market. The other thing that happens over that period of time is spikes in the market. And if you look at the Standard and Poors the stock market over the last 40 - 50 years, it's on a pretty even growth. I mean there are spikes one way or the other but it's growing. Same thing with the bond market. So why are you not using the average return? You know, like 1% last year, 26% this year, somewhere in between because the numbers that you're using and the goals that you're shooting for are hurting cities and towns. We can't take any more hits like we've had in the last four years. I don't know if you have any plan but, you know, I'm hoping that things are going to either stay the same or get better as far as the pensions concerned going forward.

Jan Goodwin, Executive Director of NH Retirement System

Mr. Alderman, I can assure you that NHRS is a long-term investor. We have a very long-term horizon for our investments. And because we are a long-term investor rather than a short term investor, we can invest in assets like real estate and private equity which have a long-term horizon so that we can get the excess returns that those investments have. Stocks - you are correct. They have done very well over time, but they have had, as you noted, significant peaks and valleys. That's why we are committed at NHRS to have a diversified portfolio so that when one type of investment doesn't do well, another type typically does so we can have good risk adjusted returns over time.

Alderman Dowd

But across the board, how can you with $11 billion come up with 1%? To me that your investments should be drawing far more than that. You can get 1% on a savings account. I mean, so why are we reflecting the 1% back on the cities and towns for that year? And why aren't we now saying we got 26% in this past year, let's change with the cities and towns owe now because we've made a lot more money?

Jan Goodwin, Executive Director of NH Retirement System

Well this year's valuation will be part of the next rate setting process. And so it will be included in that.

Alderman Dowd

But not til ‘23.

Jan Goodwin, Executive Director of NH Retirement System

Correct because we set rates on a two-year basis.

Alderman Dowd

That's one of the things that servings and…

Mayor Donchess

Do you adjust the assumed rate of return every two years or every four?

Marty Karlon, Director of Communications and Legislative Affairs

If it's going to change, it's part of an experience study which would be every four years. So we're not going to look at that again short of, you know, major economic disruptions before Fiscal ’23 and the actuarial would make recommendations in early ‘24 on any changes to assumptions they would recommend based on their study. I think Director Goodwin may take me under the table and the actuarial certainly would but the return that we had this year is very favorable for rates staying at least flat in the ’24 – ‘25 rate cycle compared to ‘22 - ‘23. Whether they'll go down, we don't know because of other liabilities.

The goal is trying to have relatively stable rates even if they're at a higher level than they had been in the past. You didn't see that this year. You had a 20% increase, you know, so but this is good news but one year doesn't make or break the pension system. The 1.1% last year, that was lower than a lot of our peers, you know, which is not usually the case but that's a June 30th of ‘20 number, you know, three months into the pandemic and the economy and the markets really recovered in the second half of 2020. If you had a calendar your 401k statement versus a June 30th, you'd see those single digits, you know, with other plans.

One of the reasons why our assumed rate of return is where it is and a lot of plans are we're not probably been at least a half a dozen maybe 10 plans that have lowered it since last year since we did, is fixed income, which is about 25% of our portfolio. Some plans it's more some or it's less by a few points, but you're not getting any interest on, you know, bonds and fixed income anymore. Back in the ‘80s, you could have bonds paying 10 - 12% and so you have this floor and you think you can manage the volatility in the equity markets because you know you were making X from fixed income and that's not the case anymore. That's what's been driving rates down over the past decade for pension plans is the interest rates have just remained near the bottom.

Alderman Dowd

I wasn’t quite sure of your answer on the - so you say that the 26% is going to be reflected and as far as our 2023 budget. So the amount we pay to the State is going to be less than we're paying in
’22?

Marty Karlon, Director of Communications and Legislative Affairs

’24 – ’25.

Alderman Dowd

Well cities can't wait that long. You know you shouldn't be doing it that far out. You know it ought to be looked at a lot closer because, you know, we shouldn't be paying the millions of dollars that we're paying in ‘23 when you don't need it. I mean, you can say you need it because you're gonna add it to your $11 billion but cities like Nashua, Manchester, Portsmouth, Dover, you know, there's a lot of things that can't be done in the city budget because we're covering for a low percentage rate that was estimated a year ago or two years ago instead of what you're getting on a return now. That to me seems very unfair.

Alderman Lopez

So to Alderman Dowd’s point, I'm getting the sense that we're the long-term investment. At some point, the State said let's get all the municipalities on board and then when we're not able to invest effectively, they'll carry it. That's causing problems for Nashua particularly. When we talk about generational equity, I'm sorry Aldermen Laws but it looks like your daughter is going to be a voter before we actually manage to carry this 0% philosophy thing that we're looking at for a debt. This is causing real problems for Nashua citizens today. We have to look at how we're keeping fire stations open, whether we can keep schools open, what services you can offer because there's that interest in getting to that 0% unfunded number.

So my question is, is who's determining that number? Is that the State legislature and as a collective act of governance, or are you determining that number? And is there any transparency in terms of what you're investing in? Because there's some pretty big investment funds that are very long term and they do much better than what it seems like what's happening even with the 1% return? It's not a unique situation to New Hampshire's retirement fund. Everybody's investments recovered and were able to report that so what's different and how does the average taxpayer look at how New Hampshire retirement invests and say that's what I want to advocate for?

Marty Karlon, Director of Communications and Legislative Affairs

We have annual reports and quarterly reports sort of listing the managers by section, you know, with historical and quarterly returns. So the information is out there in our annual investment report. All the managers that we employ are listed. The Independent Investment Committee typically meets monthly and in public session to review the investments interview. Newmont managers make decisions on terminations, things like that. You know its portfolio is consistent with, you know, most public sector investments. In some ways, you know, we don't go into hedge funds or anything like that like some plans do but everybody has a mix of, you know, real estate and equity.

Alderman Lopez

And that 18 years of catch up planned?

Marty Karlon, Director of Communications and Legislative Affairs

The amortization for 2039 is Statutory. So that's something that's in the law in terms of the investment decisions in the determination of the assumed rate of investment return the Board or the Investment Committee deals with that. So there's sort of a bifurcation on the funding versus investments.

Alderman Lopez

That 100% is that all in the amortization plan?

Marty Karlon, Director of Communications and Legislative Affairs

That that's in the Statute. Yes, the statutory. The details of the plan are but the funding goal is enshrined in the Statute.

Alderman Lopez

And is that a product of your office or is that a product of State legislation?

Marty Karlon, Director of Communications and Legislative Affairs

State legislation. We as a Bboard at NHRS doesn't take sides on the benefit increases, or decreases, or things like that. That's a central function left of the plan sponsor, which is the State. We'll run the numbers for proposals, but we typically don't advocate for or against outcomes unless they're really fiduciary challenging to us or would be tax violations and things like that.

Alderman Lopez

Right and I think it's important to gauge your influence on this so that we can figure out who we should be talking about.

President Wilshire

All set Alderman Lopez?

Alderman Lopez

Yep, thank you.

Alderman Schmidt

Thank you, Madam President. The reason I was really glad when I heard that you were going to be here today was I wanted to make it make it clear that what happens when we get a bill of $29 million? Property taxes go up. That's how we fund this. This last year when you only made 1.1%, a lot of people here lost money. A lot of people here lost their jobs. There's people who can't pay their rent. This is hard on us. This is not the time for this to go up and I'm very, very disappointed that there's this goal of 100% when we're talking about people. When we're talking about them staying in their houses. That's the real issue that I see in this entire thing. I see how you're stuck because of what the legislature has done and we should work on that. But we also have to understand that we're people at this point and this is very, very important to us at this horseshoe. Thank you.

Alderman Jette

Thank you, Madam President. So I echo the Mayor's comment that he doesn't want to shoot the messenger. We understand that you're the messengers but I have several questions. One is when you first started talking, you talked about how we were the second largest participant in the retirement system. I think I've heard you say that Manchester is separate. Is Manchester not in the State retirement system?

Marty Karlon, Director of Communications and Legislative Affairs

City employees only have a separate plan in Manchester much like your Public Works folks do in Nashua. But the teachers, police, and fire who work in Manchester are part of NHRS.

Alderman Jette

Okay. My second question is to Alderman Lopez's question. This idea of 100% funding did you say that that's a decision that the legislature made that you have nothing to say about that? Is that correct?

Jan Goodwin, Executive Director of NH Retirement System

It is a decision that the legislature made, Sir, and speaking as fiduciaries even though we're not Board members we are staff, and that does make us fiduciaries. It is the right thing for the plan to do to have a goal of being 100% funded.

Alderman Jette

Okay. So that may be ideal but do you know what banks are required when banks lend out money and they have a liability to their borrowers? Do they have to hold 100% of those assets? Do you know?

Jan Goodwin, Executive Director of NH Retirement System

No. Banks are subject to different rules and regulations than pension funds are because they're different types of enterprises.

Alderman Jette

Do you have any idea what percentage banks are required to hold?

Jan Goodwin, Executive Director of NH Retirement System

I personally do not know.

Alderman Jette

I don't know either but I suggest it's a lot less than 100%. I pick the same is true of insurance companies. This idea of 100%, you know, being an ideal I understand from what you're saying that the legislature has made this decision but it does not seem in spite of you're saying that it's the right thing to do, I don't think anybody else does it. So I'm not sure how right a thing it is to do. And it's an easy decision to make for the legislature when at the same time the legislature has opted out of funding this at all. They've gone from 40 - 35% to zero. So it's easy for them to say you're to fund this at 100% but we're not going to contribute anything. I know it's not your decision and I'm not trying to shoot the messenger but it's a hard for me and I don't know if you can justify it, but it's hard for me to find a justification for this position. I echo what my other fellow Aldermen have said. This is really hurting not only Nashua but all the cities and towns. Thank you

President Wilshire

Alderwoman Lu? Alderwoman Lu? Is there anyone else that has questions?

Alderman O'Brien

Thank you, Madam President. I really want to thank you folks and for coming down here. I hope you don't really feel that you're in the middle of a lion's den, you know and if you did, I apologize. But I think the other Aldermen have really, truly express their opinion. What you're going to do with it, I don't know/. As a State Representative as well, I appreciate the non-partisanship of the New Hampshire Retirement System. You guys do not take sides to the political games that exist up there. You try to do your best to advise the legislature and I'm under the impression at times the real problem with the New Hampshire Retirement System is 400 legislatures and it seems.

Last year, I wrote a Bill to put in just 15%, or excuse me, 5% to get back to the 35. Just 5%. It was defeated. Nashua is dealing with cities and towns up there that don't employ the amount of firefighters, and police, and teachers that we do. We have some schools, elementary schools that's probably bigger than some SAUs in some communities. They might have a handful of teachers. We've got more than a handful in this town.

So I don't know what message you can bring back. I've already banged my head against the wall up there in Concord. I am proud of my fellow delegation that has gone up there and I did have to support that 5% trying to get it back into the pension system. But that 5% would have helped the Nashua taxpayer and that's what we're really talking about here. These other people from the hinterlands of, you know, wherever they have cows, and barns, and everything great for them. We in the city have broad shoulders down here and we're expected to put out fires, and manage a police department, and educate children that come from other communities, and everything. So things are going good but we would appreciate some support from Concord but we're not getting it. I just hope in the future, and like I say, I'm very appreciative coming here like this but in the future, I don't know what you can do. I mean as a legislator we will try more.

I've seen games and I'll ask you just one final question if I may. When you have a pension system, people is dumped by percentages. So if a police officer, or a firefighter, or a teacher what they get paid a percentage goes into the pension system. It's the same percentage in Canaan as it is in Nashua. What he withdraws is based upon that percentile that he puts into the system. So I heard on the legislative floor that it is what Nashua pays its employees. It has nothing to do with that if we follow the law of percentages. Am I correct?

Jan Goodwin, Executive Director of NH Retirement System

Yes. The contributions are based on the salaries and it's the same percent for each of the participants in the plan whether it's Nashua, or Portsmouth, or any other city or town. It's the same percent.

Alderman O'Brien

Yeah and I thank you for that answer because a lot of our teachers that do yeoman work within our school system, the firefighters, the police officers that accepts their duties, and a lot of work realize that and unfortunately I think every State Rep. in the room has heard that before echoed in the chamber up there. Oh it's what you guys pay in Nashua has nothing to do with it. It's strictly the larger percentages. Thank you.

President Wilshire

Alderman Dowd.

Alderman Dowd

Yeah just two quick things. One - several people asked me if the State of New Hampshire has a lot of - I hate to use the term "elderly" cuz I probably fall on it but I don't know how that shifting are we getting younger or older which would affect the pension, particularly people that are retiring.

But the other question I have is when you say 100% funded, that means that you have enough money in the plan that if every single person working today retired today, you could pay them their pension? Is that's correct?

Jan Goodwin, Executive Director of NH Retirement System

Yes.

Alderman Dowd

Major companies – thousands of them, as I've looked at them - don't get to 100% because not everybody that they have is eligible for retirement for a long time. So there's a vast number of people in the retirement system that couldn't retired if they wanted to. So to have the money to pay them for retirement for the major companies in the United States doesn't make sense. So why have that money? So why are our States different in that they feel they need a dollar for every person that could possibly is in the system for retirement, they can't retire till they reach 20 years. To me, that doesn't make sense either.

Again, by the way, I'm not here to shoot the messenger. We appreciate your being here and we're just using you as a conduit to get some information back to Concord.

Marty Karlon, Director of Communications and Legislative Affairs

Thank you for having us. It was very civil and a good conversation and if hopefully we had some answers. It may not have been the answers you wanted to hear, but, you know, trying to give you some answers. With the 100% funding, it is in the abstract but, you know, there's not a magic day where you're 100% funded and you're 100% funded forever. You could be 100% funded one day and 95 or 102 the following day depending on, you know, how the quarterly earnings report did what it did to Wall Street.

When you talk about paying out the benefits not all at once, but you over the lifetime of all these generations of public employees, and you're talking about somebody who can enter the plan in their 20s, or the 30s, work 20, 30, even 40 years, and then live another 20, 30, 40 years, and that's the horizon that you're looking at. A lot can happen in 60 to 70 years, you know, in the world. So if you're not shooting to be fully funded, you're much more vulnerable to shocks and disruptions that it's gonna cost more to fund the plan than if you were in a stronger financial position. So, you know, I think it's fair to say, you know, 100 is the goal. We may or may not be there because of layered amortization and maybe always carrying a debt forward but if you think of it, you know, as a kink in the hose, this is this balloon that unfortunately you folks are all dealing with in your budget right now. But getting through this pain and having the discipline to pay this back up to a better funding ratio will prevent it from happening again in the future. Hopefully, you know, there's certainly going to be a State in New Hampshire, as the Mayor alluded to, and I certainly hope there’s always going to be a Nashua. The town where my kids grew up, people are going to want to live here like they still do now I believe.

Alderman Dowd

By the way, can you tell me what percentage of the people that are in the State retirement plan are eligible to retire?

Marty Karlon, Director of Communications and Legislative Affairs

Not off the top of my head. Basically if you're reached the minimum age requirements to retire, you can retire. So folks who are older than 60 on the employee and teacher side can retire now if they're that old and the police and fire is age and service requirements for folks that range anywhere from age 45 with 20 years to age 52 ½ with 25 years for the newer hire. So there's always a pool but we don't tend to look at that and have a handy stat for you. I could research that if you're interested in though.

Alderman Dowd

So you also alluded to that you're going to have a year-end report very soon?

Marty Karlon, Director of Communications and Legislative Affairs

Yeah those come out in December - the investment and the financial report.

Alderman Dowd

Not until December?

Marty Karlon, Director of Communications and Legislative Affairs

So we get these numbers from the actuary usually around Halloween or early November and then to finish the reports so that the funded ratio and that information will be available.

Alderman Dowd

So do we get copies when that's available?

Marty Karlon, Director of Communications and Legislative Affairs

Sure.

Alderman Dowd

Thank you.

President Wilshire

Alderman Clemons.

Alderman Clemons

Thank you, Madam President. I just wanted to give my two cents for whatever its worth. Probably worth a lot less in the retirement system but. So my feeling on this is that the, you know, I understand the goal of the 100% and getting there. I actually agree with it to an extent but the issue is, is that, and this is what Alderman Schmidt was referring to, and that is that you also have to live in reality. The reality right now is that, you know, people are hurting still from the pandemic. The pandemic still going on. You have a number of Aldermen here participating from home, myself included, just to be overly cautious. So you still have an economy that's recovering. The biggest part of it, though, is to me the fact that the State doesn't contribute a dime to this system. So, you know, I think that, in my opinion you know, we have a perfect storm that happened this year. Certainly I can understand the argument that, you know and in theory, had the pension plan been fully funded, that this wouldn't have been as drastic as a year or as tough for Nashua or other cities and towns because we would have had that higher funding source.

But on the other hand, that's an artificial thing that was created via Statute because in all reality, the legislature could have decided to relax some of those burdens that came down to Nashua in a number of different ways. They could have, you know, not to overuse the phrase “kick the can down the road” but certainly they could have, you know, at least delayed that 100% implementation to kind of give people who are living here in reality a break. I think it's incumbent upon the legislature and it’s incumbent upon the people who are voting to understand who they're voting for and what they stand for because people's livelihoods, and their taxes, and things like that it makes a difference. So when you hear people, you know, that are putting these goals and they stick by them 100% no matter what, sometimes that's not the way to go.

In my opinion, you want somebody in office who's going to be flexible. You want somebody who's going to understand that things change and you need to be able to change with the times. So you know, I think we have some good people from Nashua up there in that legislature but kind of what Alderman O’Brien said, I think some of the people in the rest of the State, I don't think they understand the difficulties that some of us here in Nashua or another cities are facing. So it's a little disappointing but regardless, that's my two cents and I appreciate the time. Thank you.

President Wilshire

Anyone else have any questions, comments? Seeing none.

Mr. Karlon and Miss Goodwin thank you so much for being here this evening. We really appreciate you taking the time to come down to Nashua and explain to us the pension system. So thank you very much for being here.

Marty Karlon, Director of Communications and Legislative Affairs

Thanks for having us.

Jan Goodwin, Executive Director of NH Retirement System

Thank you for all the good questions.

President Wilshire

Thank you.

UNFINISHED BUSINESS

Motion to Forward to the Ballot the Citizens Petition Relative to a Citizens Petition Seeking to Amend the City Charter Relative to the Nomination and the Confirmation of Appointments to the Nashua Board of Police Commissioners

MOTION BY ALDERMAN HARRIOTT-GATHRIGHT TO FORWARD TO THE BALLOT THE CITIZENS PETITION RELATIVE TO A CITIZENS PETITION SEEKING TO AMEND THE CITY CHARTER RELATIVE TO THE NOMINATION AND THE CONFIRMATION OF APPOINTMENTS TO THE NASHUA BOARD OF POLICE COMMISSIONERS BY ROLL CALL

ON THE QUESTION

Alderman Dowd

Just for clarification through Corporation Counsel, it's I believe the legal opinion of legal counsel that we have no option but to vote yes on this.

Steve Bolton, Corporation Counsel

The Board of Aldermen is required to order it placed on the ballot.

Alderman Dowd

That's what I was trying to get.

President Wilshire

Alderman Jette.

Alderman Jette

Thank you, Madam President. At the public hearing, former Alderman and County Commissioner Mike Soucy made the assertion that our City Charter requires I think it's 10% of registered voters. He said that the Petition did not have a sufficient amount of signatures and that basically that we could not put this on the ballot. I would through you I would like to ask Corporation Counsel whether he has a response to that and can we be assured that we're doing the right thing by moving this forward.

Steve Bolton, Corporation Counsel

I'll give you every assurance I can. The fact is the legislature which established the City Charter and less special act regarding the Police Commission to begin with has more recently pursuant to the Constitution and the amendment to the Constitution that was made in 1964 relative to city charters adopted locally has passed RSA chapter 49-B, which provides as the Constitution authorizes, a way for municipalities to amend their charters.

In our case, the City Charter and 49-B:5 specifically deals with the percentage and the percentage of what is needed for a citizens petition to reach the ballot and it's 15% of the total votes cast in the last municipal election. That is the current law. What was done decades ago in the past by a different legislature has been superseded. Our City Clerk has gone through the signatures and has certified to you that that 15% threshold was reached. So I don't know what analysis that former police officer, former firefighter, former alderman, county commissioner Soucy is using. I don't know where he got his legal education but I do not understand at all where he comes up with the idea that he has.

Alderman Jette

Thank you very much for that. It's probably just because, you know, when people look at our Charter as it's listed in our online or in Charter itself, you know, says what he says it said but as you pointed out, it has been amended, you know, by subsequent action by the legislature and perhaps even the Supreme Court has expressed an opinion about this. It makes me think that in the future if we're re-elected, maybe two years from now at the next municipal election, we might consider asking the voters whether or not they would authorize a Charter Commission that could look at our present Charter so that when people look at the Charter it would be nice for the Charter to say what the current law is and not say something that's different or there has been amended by the legislature. I know the legislature can always amend it but at least, you know, we ought to have a Charter that when we look at it, you know, as much as possible states exactly what the law is and not mislead people about what it is or require that they have to hire a lawyer to get an opinion about what it means.   I think our Charter needs updating so that it says what it means and it means what it says so that people can look at it and understand it. But thank you for making that clear. Thank you.

Alderman Lopez

With respect Alderman Jette, I don't know if you need a Charter Commission on that and we have the Facebook comment section. They can handle that for us.

Alderman Jette

I'm sorry. I didn't I didn't hear you. I didn't understand you.

Alderman Lopez

I said we have the Facebook comments section that can handle it.

Alderman Jette

Oh. Good point. Thank you.

Alderman Clemons

Thank you Madam President. Through you to Cooperation Counsel, my question is hypothetically, what would happen if this motion failed?

Steve Bolton, Corporation Counsel

You could all go to jail. I don't think that would happen but theoretically was how you prefaced your question. You're required by law to put this on the ballot.

Alderman Clemons

So may I continue?

President Wilshire

Yes.

Alderman Clemons

What happens if you know we don't vote on it? I mean it seems to me that I guess I don't understand why it's taking an action of this Board if it's just something that automatically has to happen.

Steve Bolton, Corporation Counsel

Well Alderman Clemons that's a good question for State Representatives.

President Wilshire

If we only knew one.

Steve Bolton, Corporation Counsel

Because you had the public hearing that's required by law last week. I will tell you that RSA 49-B:5, V, B says within seven days after the public hearing, the municipal officers – and that term is defined and in Nashua's case it means the Board of Aldermen - the municipal officers shall file with the municipal clerk a report containing the proposed petition amendment and shall order the proposed amendment to be placed on the ballot at the next regular municipal election. So that's what the legislature has said. This Board has to order it placed on the ballot. So why it isn't automatic, I don't know. The legislature in its great wisdom required YOU to order it placed on the ballot.

President Wilshire

You all set Alderman Clemons.

Alderman Clemons

Yep.

President Wilshire

Okay. Any further discussion? Seeing none, would the Clerk please call the roll?

A viva voce roll call was taken to which resulted as follows:

Yea: Alderman O'Brien, Alderman Dowd, Alderman Caron, Alderman Lopez, Alderman Jette, Alderman Schmidt, Alderman Laws, Alderman Cleaver, Alderman Harriott-Gathright, Alderman Wilshire 10

Nay: Alderman Clemons 1

MOTION CARRIED

ADJOURNMENT

MOTION BY ALDERMAN O'BRIEN THAT THE SEPTEMBER 21, 2021, SPECIAL MEETING OF THE BOARD OF ALDERMEN BE ADJOURNED, BY ROLL CALL

A viva voce roll call was taken to adjourn the Special Board of Aldermen meeting which resulted as follows:

Yea: Alderman O'Brien, Alderman Dowd, Alderman Caron, Alderman Clemons, Alderman Jette, Alderman Schmidt, Alderman Laws, Alderman Cleaver, Alderman Harriott-Gathright, Alderman Wilshire 10

Nay: Alderman Lopez 1

MOTION CARRIED

The meeting was declared adjourned at 8:53 p.m.

Attest: Susan Lovering, City Clerk

NHRS

- NHRS: Past, Present & Future

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

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

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

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)

Past – 1985: Autonomy from the State

- NH Supreme Court rules in Sununu v NHRS
  - Issue: Whether or not 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

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

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'

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

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

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)

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'

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

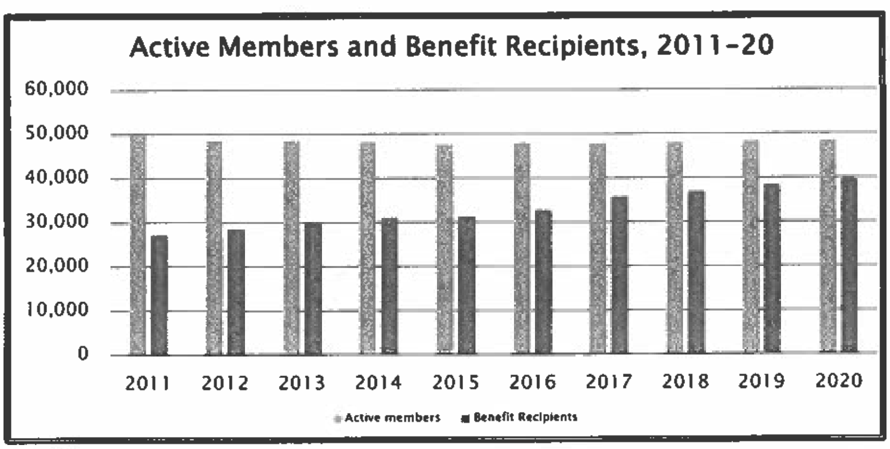
Past – 2017: Decennial Commission Redux

- 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

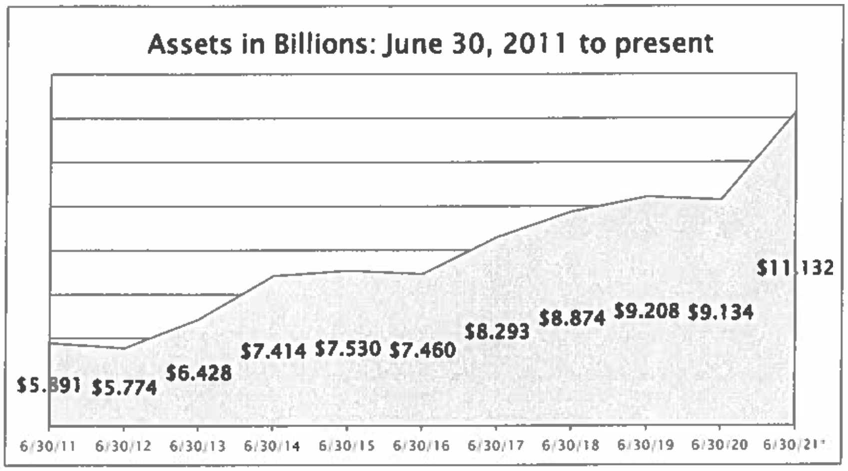
Present – Most Recent Facts & Figures

- $11+ billion in Assets
- Unfunded Liability of $6 Billion; 12 years into a 30-year amortization
- Funded Ratio of 61.0%
- 48,479 members
- 39,612 benefit recipients
- $860 million in annual pension and medical subsidy benefits
  - Nearly 80% of recipients live in NH

Present – Most Recent Facts & Figures

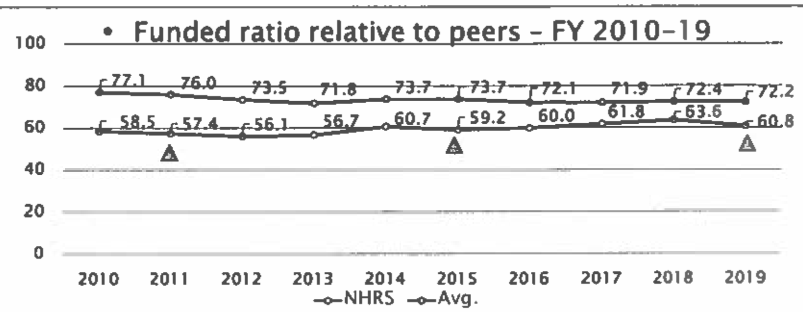


Present –
Most Recent Facts & Figures



* unaudited

Present –
Most Recent Facts & Figures



△ *Denotes reduction to assumed rate of return*

Source: NASRA, Nov. 2020

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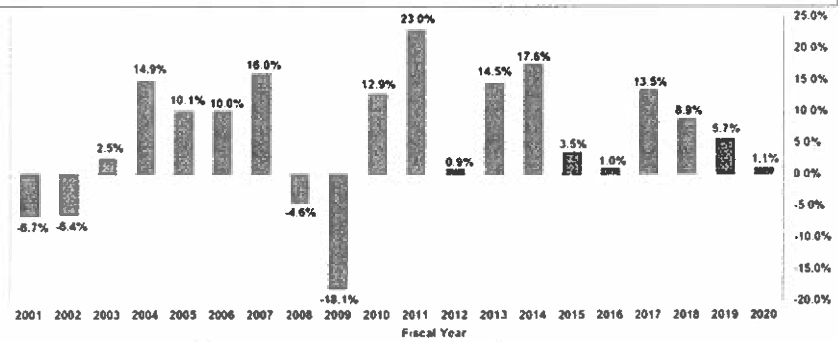
Present –
Most Recent Facts & Figures

20-Year Investment Performance



Source Data: Time-weighted annual returns (net of fees) provided by NEPC, LLC

Present –
Most Recent Facts & Figures

Member Category	Pension: Normal Cost	Pension: UAAL	UAAL as a % of Total Pension Cost	Medical Subsidy	Total Employer Rate
Emp. – State	2.58%	11.17%	*81.2%*	0.78%	**14.53%**
Emp. – P. Sub.	2.58%	11.17%	*81.2%*	0.31%	**14.06%**
Teacher	2.82%	16.66%	*85.5%*	1.54%	**21.02%**
Police	6.72%	23.95%	*78.1%*	3.21%	**33.88%**
Fire	7.07%	22.71%	*76.3%*	3.21%	**32.99%**

Member Contribution Rates: Employee/Teacher: 7%; Police: 11.55%; Fire 11.8%
Member share of normal cost: Employee: 73%; Teacher: 71%; Police: 63%; Fire: 63%

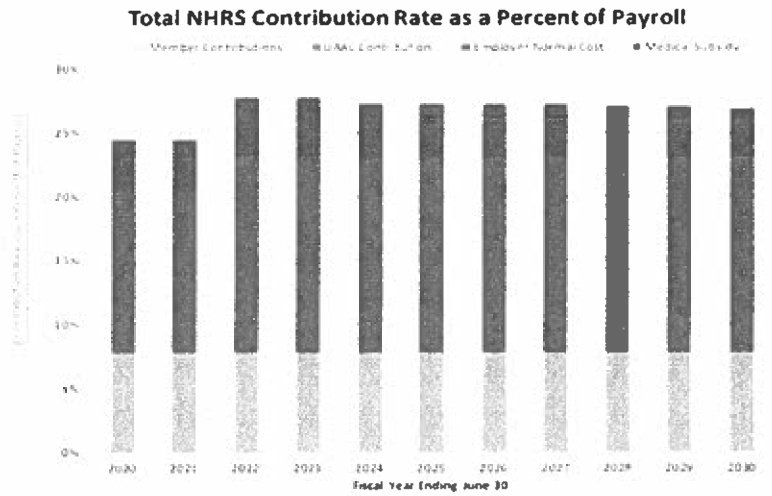
Present – What's Important

- 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

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

Future –
Projected Contribution Rates



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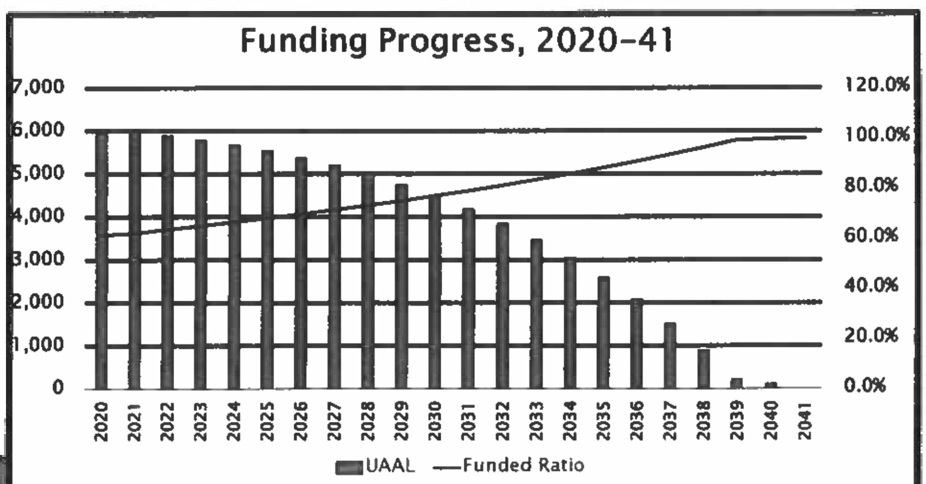
Future –
Paying down the UAAL



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Future – Paying down the UAAL

	Maine PERS	NHRS
Participants	Teachers & State Employees	Employees, Teachers, Police, Fire
Active Members	40,395	48,479
Retirees/Beneficiaries	37,151	39,612
Average Pension	$23,143	$20,841
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 the year they are 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 19
Actuarial Method	Entry Age Normal	Entry Age Normal
Assumed rate of investment return	6.75%	6.75%
Funded Ratio at start of amortization period	51% (FY 96)	57.4% (FY10)
FY 2020 Funded Ratio	82.4%	61.0%

Future – Issues to Watch

- Legislative
  - Benefit changes
  - COLA
  - Alternative retirement plans
- Economic
  - Assumed rate of return
  - Short- and long-term market outlook
  - Interest rates/Inflation
- Demographic
  - School-age population
  - 'Graying' of NH

Questions?