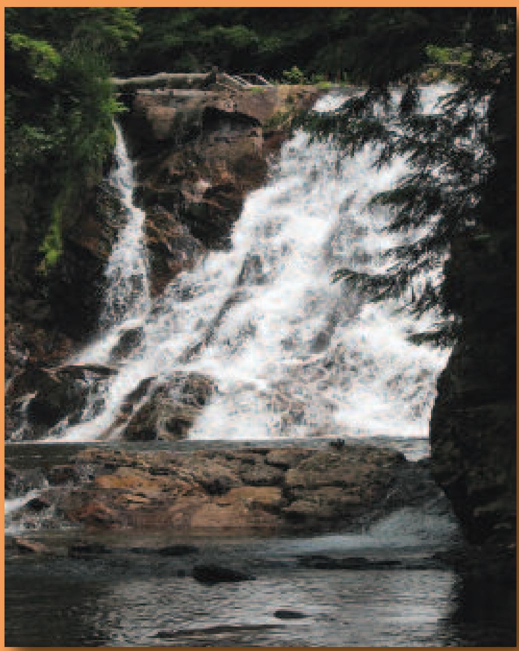
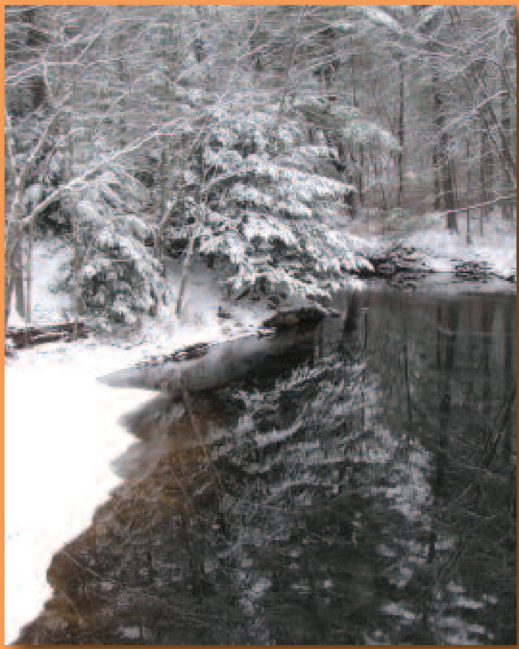
New Hampshire Retirement System





A Component Unit Of
The State Of New Hampshire

Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2007

NHRS
New Hampshire Retirement System

Introductory Section

CLICK HERE TO RETURN TO TABLE OF CONTENTS

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Design and Layout: Debbie K Graphics, Loudon, NH • 603-783-9812

Comprehensive Annual Financial Report
For The Fiscal Year Ended
June 30, 2007

A Component Unit of the State of New Hampshire

Prepared by
New Hampshire Retirement System
54 Regional Drive
Concord, New Hampshire 03301-8507
www.nhrs.org

CLICK HERE TO RETURN TO TABLE OF CONTENTS

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Table of Contents

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

New Hampshire Retirement System

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Letter From The Chair

NHRS
New Hampshire Retirement System

July 15, 2008

To: The Members of the New Hampshire Retirement System

As Chair of the Board of Trustees of the New Hampshire Retirement System (NHRS), I am pleased to present the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. The report presents the assessment of investment results and financial condition of the Pension Plan and the Postemployment Medical Plans. The data contained in this report is accurate in all material respects and is reported in a manner designed to fairly present the financial condition and results of operations of the Plans.

Each participant deserves the security of well-funded benefit plans. The actuarial procedures adopted by the Board on a continual review basis and the prudent investment strategies of the Board are all designed to meet this very important objective.

The Plans' diversified investment policy continues to be sound. The investment policy as adopted by the Board of Trustees is designed to generate competitive total returns on a long-term basis while maintaining appropriate levels of liquidity and risk. The Plans' investment portfolio is broadly diversified to provide protection against volatility in the capital markets. The total fund investment return for fiscal year ended June 30, 2007 was 16.0%, exceeding the actuarial assumed rate of return. The Plans' total fund investment return for the three year and five year periods ended June 30, 2007 was 11.9% and 10.4%, respectively.

Legislation was enacted during fiscal year 2007 that changed the actuarial cost method from open group aggregate to entry age normal and restricted any funds from being transferred into the Special Account until such time as the funding ratio equals or exceeds 85%. Additional legislation provided for the establishment of a commission to make recommendations to ensure the long-term viability of the Plans. NHRS is hopeful that these legislative changes and potential future changes will enhance the long-term financial condition of the Plans.

The role of the Board of Trustees is to ensure that the financial interest of all plan participants is adequately safeguarded over the long term. The Board of Trustees is committed to fulfilling their fiduciary responsibilities for the benefit of all members and beneficiaries.

I want to express my gratitude to NHRS's staff and my fellow Board members who have worked diligently to assure the successful operation of the Plans. The Board of Trustees is keenly aware that many forces will shape and influence the Plans in the coming years. I am confident in our ability to meet these challenges and in our ability to fulfill our fiduciary responsibility to the members of the Plans.

Sincerely,

Charlton MacVeagh, Jr.
Chair of the Board of Trustees
New Hampshire Retirement System

Charlton MacVeagh, Jr.
Chair
Board of Trustees

CLICK HERE TO RETURN TO TABLE OF CONTENTS

54 Regional Drive, Concord, New Hampshire 03301-8507 • Telephone (603) 410-3500 • Toll Free 1-877-600-0158
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Board Of Trustees

Charlton MacVeagh, Jr.
Chair
Public Member
October 2005 to July 2009

Debra M. Douglas
Vice Chair
Public Member
May 2004 to July 2006

The Honorable Patricia M. McMahon
New Hampshire
House of Representatives
January 2007 to January 2009

The Honorable Harold Janeway
New Hampshire Senate
January 2007 to January 2009

Stephen J. Arnold, Sr.
Police Officer Member
September 2007 to July 2009

Justin A. Cutting
Firefighter Member
July 2007 to July 2009

Charles Koontz
Employee Member
August 2002 to July 2008

Germano Martins
Employee Member
March 2006 to July 2009

Joseph G. Morris
Teacher Member
January 1990 to July 2008

Brian W. Morrissey
Firefighter Member
February 2001 to July 2008

Samuel J. Giarrusso
Teacher Member
November 2003 to July 2009

Dean Crombie
Police Officer Member
April 2003 to July 2008

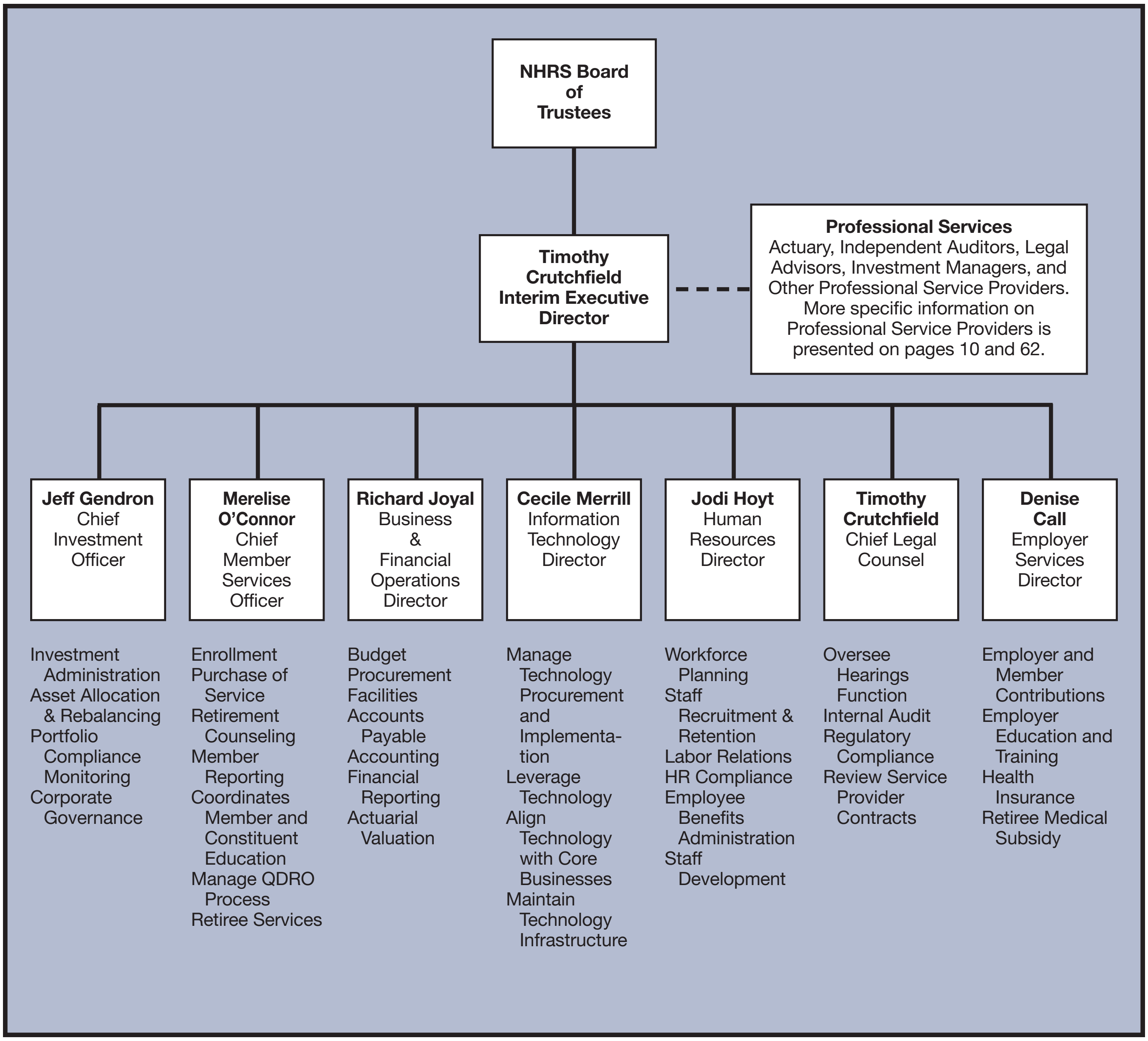
Keith R. Hickey
Employer Representative
September 2007 to September 2009

Catherine Provencher
State Treasurer
January 2007 ex officio

Front row, left to right: Brian W. Morrissey, Dean Crombie, Chair Charlton MacVeagh, Jr., Vice Chair Debra M. Douglas, State Treasurer Catherine Provencher, Representative Patricia M. McMahon. Back row, left to right: Germano Martins, Senator Harold Janeway, Charles Koontz, Joseph G. Morris, Justin A. Cutting, Samuel J. Giarrusso, Stephen J. Arnold, Sr. Absent when photo was taken: Keith R. Hickey.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Administrative Organization



CLICK HERE TO RETURN TO TABLE OF CONTENTS

Professional Managers, Advisors and Service Providers

DOMESTIC EQUITY MANAGERS
Capital Guardian Trust Company
Century Capital Management, LLC
Dalton, Greiner, Hartman, Maher & Co.
Independence Investment LLC
Institutional Capital Corporation
Investment Counselors of Maryland
LeggMason Capital Management
LSV Asset Management
Netols Asset Management
Northern Trust Investments, N.A.

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Loomis Sayles & Company, L.P.
Lord, Abbett & Company, LLC
Northern Trust Investments, N.A.
TCW Asset Management Co., Inc.

INTERNATIONAL EQUITY AND FIXED INCOME MANAGERS
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Fisher Investments, Inc.
Northern Trust Investments, N.A.
Thornburg Investment Management, Inc.
Walter Scott & Partners Limited

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Global Forest Partners, L.P.

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APAX Excelsior VI
Brand Equity Ventures I & II
Castle Harlan Partners III, L.P.
Castle Harlan Australian Mezzanine Partners, L.P.
Coral Partners II, IV & V, L.P.
Crescendo IV, L.P.
Energy Investors Fund I & II, L.P.
Euclid Partners IV, L.P.
Euclid SR Partners, L.P.
HEV III US, L.P.
Lightspeed Venture Partners VI, L.P.
MatlinPatterson Global Opportunities Partners II, L.P.
New England Growth Fund I & II, L.P.
North Atlantic Venture Fund II, L.P.
Prism Venture Partners I, II, II-A, III, IV & V
RFE Investment Partners VI, L.P.
Richland Ventures I & II, L.P.
Sprout VI, VII & VIII, L.P.
Sterling Venture Partners, LLC
TCW/Crescent Mezzanine Partners, L.P.
Technology Venture Partners, L.P.
The Venture Capital Fund of New England III, L.P.
VSS Communications Partners IV, L.P.
Weiss, Peck & Greer Venture Associates V, LLC
Zero Stage Capital V & VII, L.P.

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Relational Investors, LLC

ALTERNATIVE INVESTMENT SERVICE PROVIDER
Citi Private Equity Services

LEGAL ADVISORS
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Peter Foley, Esquire

INDEPENDENT AUDITORS
KPMG LLP

INVESTMENT ADVISOR
Ennis Knupp & Associates

ACTUARIAL CONSULTANT
Gabriel, Roeder, Smith & Company

COMMERCIAL REAL ESTATE CONSULTANT
The Townsend Group

COMMERCIAL REAL ESTATE MANAGERS
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LaSalle Investment Management
The Townsend Group

CUSTODIANS
Citizens Bank-NH
(In-state Custodian)
The Northern Trust Company
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CORPORATE GOVERNANCE SERVICES
Institutional Shareholder Services, Inc.
Securities Class Action Services, LLC

CLICK HERE TO RETURN TO TABLE OF CONTENTS

NHRS
New Hampshire Retirement System

July 15, 2008

Dear Mr. Chair and Members of the Board of Trustees:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the New Hampshire Retirement System (NHRS) for the fiscal year ended June 30, 2007. This comprehensive report is designed to comply with the provisions of the Revised Statutes Annotated (RSA) 100-A:15, VI and VII of the State of New Hampshire.

NHRS's management is responsible for the complete and fair presentation of financial information and the accompanying disclosures in this report. This report fairly presents the combined assessment of the investment results and the financial condition of the Pension Plan and the Postemployment Medical Plans.

Timothy J. Crutchfield
Interim Executive Director

The Pension Plan was established in 1967 to consolidate and replace four separate pension plan systems: the New Hampshire Teachers Retirement System, the New Hampshire State Employees Retirement System, the New Hampshire Policemen's Retirement System, and the New Hampshire Permanent Firemen's Retirement System. The Pension Plan provides service retirement, disability and survivor benefits for all full-time state employees, public school teachers and administrators, permanent police officers, and permanent firefighters. Full-time employees of political subdivisions (such as county, municipal or school district employees) are also eligible to become members if the local governing body elects participation. The Pension Plan is a qualified governmental plan within the meaning of section 414(d) of the United States Internal Revenue Code and has a separately appointed governing body. Based on financial reporting guidelines, the Pension Plan is deemed to be a single pension plan. In addition, NHRS administers four postemployment medical plans (OPEB Plans) for qualified Group I and Group II members. A complete description of member's eligibility for each plan and additional information concerning benefits available are contained in the Summary of Plan Provisions beginning on page 14.

BUDGET CONTROLS AND NHRS ADMINISTRATION

The administrative budget for fiscal year 2007 was proposed by management, approved by the Board of Trustees, submitted under the budget preparation guidelines of the State of New Hampshire, and passed into law by the New Hampshire Legislature. In accordance with GASB Statement No. 14 guidelines for a reporting entity, NHRS is a component unit of the State of New Hampshire.

NHRS is administered by a 14 member board of trustees, which includes one State Senator, one State Representative, the State Treasurer as an ex-officio member, two employees, two teachers, two firefighters, two police officers, two public non-members, and one employer representative. The Board of Trustees formulates administrative policies and procedures, authorizes benefit payments to members and their beneficiaries and manages the trust funds. Administrative functions are directed by the Executive Director and are carried out by the administrative staff.

The Board of Trustees employs a qualified consulting actuary, a master custodian, investment managers, investment advisors and outside legal counsel.

ACCOUNTING SYSTEM AND INTERNAL CONTROL

The CAFR has been prepared in conformity with accounting principles generally accepted in the United States. The financial statements are prepared on the accrual basis of accounting. Contributions are recognized as revenue in the period when they become due pursuant to formal commitments or statutory or contractual requirements. Investment income is recognized as it is earned. Benefits, refunds and investment expenses are recognized when they become due and

CLICK HERE TO RETURN TO TABLE OF CONTENTS

payable. Net appreciation (depreciation) in the fair value of investment is recorded as an increase (decrease) to investment income based on the valuation of investments as of the date of the financial statements. Trade commissions and related transaction costs are netted out against the fair value of investments. Capital assets are recognized in the financial statements in accordance with NHRS's established capital asset policy.

The management of NHRS is responsible for maintaining a system of internal controls which are designed to provide reasonable assurance that the assets are adequately safeguarded and the financial records and financial statements are fairly stated. We believe the existing internal accounting controls accomplish these objectives.

FINANCIAL PERFORMANCE

For the fiscal year ended June 30, 2007, Plan Net Assets increased $855.6 million compared to $383.7 million for the prior year, an increase of $471.9 million or 123%. A detailed discussion of investment performance, the sources of additions, deductions, and results of operations is covered in the Management's Discussion and Analysis beginning on page 23.

FUNDING STATUS

Legislation was enacted during fiscal year 2007 to enhance the long-term financial condition of the Plans in two important ways:

- To change the actuarial cost method from open group aggregate to entry age normal;
- To restrict any funds from being transferred into the Special Account until such time as the funding ratio equals or exceeds 85%.

In order to ensure that retirement benefits are available to members, NHRS evaluates the Plans' assets compared to liabilities as an indication of the extent to which the Plans are funded each year. This measure is called the plan funded ratio.

The Pension Plan funded ratio based on the June 30, 2007 actuarial valuation was 67.0%. Due to the change in actuarial cost method, the different methodology used for fiscal year 2006 does not provide for a consistent year-to-year measure of funded status for the Pension Plan.

Fiscal year 2007 was the first year for which an actuarial valuation of the OPEB Plans was prepared. Funded ratios based on the June 30, 2007 actuarial valuation were as follows:

Group II	Police Officers and Firefighters OPEB Plan	44.1%
Group I	Teachers OPEB Plan	8.4%
Group I	Political Subdivision Employees OPEB Plan	71.1%
Group I	State Employees OPEB Plan	0.0%

A comprehensive analysis of funding progress for the Plans is provided in required supplementary information beginning on page 50.

INVESTMENTS

RSA 100-A:15 fully empowers the New Hampshire Retirement System Board of Trustees to invest funds under the "Prudent Investor Rule." This rule requires that fiduciaries shall discharge their duties solely in the interest of the Plans' participants and beneficiaries. In the management of the Plans' assets, the Board of Trustees shall exercise the judgment and care under circumstances then prevailing, that a prudent person acting in like capacity and familiar with such matters, would use in the conduct of plans of like character and like aims. The Prudent Investor Rule has enabled the Board of Trustees to invest in a broad range of asset classes generally resulting in increased returns at a moderate level of risk achieved through broad diversification.

The annualized total fund investment return for the one year, three year, and five year periods ended June 30, 2007 were 16.0%, 11.9%, and 10.4%, respectively. A discussion on comparative two year annualized returns, and related benchmark indices, for fiscal years 2007 and 2006 is presented in the Management's and Discussion and Analysis beginning on page 23.

MAJOR INITIATIVES

NHRS's Strategic Business Plan serves as its roadmap for navigating the challenges faced in responding to a growing retirement-eligible population with increasing demands for pension plan information and services. Objectives include streamlining business processes, revising and improving workflow, strengthening internal controls, and building a solid foundation on which to

CLICK HERE TO RETURN TO TABLE OF CONTENTS

improve services to our members. Some of the major initiatives accomplished during fiscal year 2007 were:

A new website, www.nhrs.org, was launched featuring comprehensive Pension Plan information for members and employers, user-friendly navigation and on-line registration for member education sessions.

Structured reviews were conducted of all public market asset classes resulting in a restructuring of these asset classes to include passively managed portfolios that will provide low-cost exposure to the public markets at reduced costs.

A new Employer Services department has been implemented to provide employers direct access to critical information, including enhanced future training opportunities for their employees.

INDEPENDENT AUDIT

RSA 100-A:15 requires an annual audit to be performed by the Office of Legislative Budget Assistant, Audit Division (LBA) or their designated subcontractor. For fiscal year 2007, the LBA designated KPMG LLP to conduct the annual audit. The independent auditors' report, audited financial statements, required supplementary information, and supporting schedules are included in the Financial Section of this report.

ACTUARIAL REVIEW AND VALUATION

An actuarial review of the mortality, service, withdrawals, and compensation experience of members is required by statute at least once during each five year period. The last actuarial review was performed during fiscal year 2005 by NHRS's former actuary, Buck Consultants LLC. An actuarial valuation of the assets and liabilities is required by statute at least once during each two year period. The most recent actuarial valuation was performed as of June 30, 2007 by the NHRS's current actuary, Gabriel, Roeder, Smith and Company. The June 30, 2007 actuarial valuation, subject to Board of Trustees approval, will be used to determine the employer contribution rates for the fiscal years ended June 30, 2010 and June 30, 2011. The actuarial certification and supporting statistics are included in the Actuarial and Statistical Sections of this report.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded Certificates of Achievement for Excellence in Financial Reporting to NHRS for its Comprehensive Annual Financial Reports for the last sixteen fiscal years. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. A copy of the fiscal year 2006 award is presented on page 6.

ACKNOWLEDGMENTS

The compilation of this report reflects the combined efforts of the administrative staff under the direction of the Board of Trustees. It is intended to provide extensive and reliable information as a basis for making management decisions, determining compliance with legal provisions, and for determining responsible stewardship for the investment and accounting for assets of plan participants.

We would like to take this opportunity to express our gratitude to the Board of Trustees for its guidance and support and to the administrative staff for its dedication and commitment.

Respectfully submitted,

Timothy J. Crutchfield

Timothy J. Crutchfield
Interim Executive Director

Richard R. Joyal

Richard R. Joyal
Business & Financial Operations Director

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CLICK HERE TO RETURN TO TABLE OF CONTENTS

Summary Of Plan Provisions

TYPE OF PLAN

The Pension Plan is a contributory public employee defined benefit plan qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan provides retirement, disability, and death protection to its eligible members and their beneficiaries. The NHRS also administers four separate postemployment medical plans (OPEB Plans) which provide a subsidy for postemployment medical premiums for eligible plan members. Unlike a defined contribution plan, a member's pension benefit is based on a predetermined formula measured by salary credit and service credit, not by the amount of contributions made to the plan.

MEMBERSHIP

Membership in the Pension Plan is a condition of employment for all full-time, classified State employees and for all permanent, full-time firefighters and police officers employed by the State of New Hampshire or any of its political subdivisions. Under specific minimum participation standards, membership is also a condition of employment for public school teachers and other professional staff of public schools, as well as for employees of political subdivisions which have elected to have their employees participate. Employees and teachers are classified as Group I. Firefighters and police officers are classified as Group II. While membership is divided into groups and classes, the Pension Plan is considered a single plan for financial reporting and federal tax purposes. All assets are legally available to fund the benefits of any of the plan members or beneficiaries.

CONTRIBUTIONS

Both employers and active members make regular contributions to the Pension Plan. All contributions are deposited into the pension trust fund.

Employer contributions are based on a percentage of covered payroll, where the rate is determined by actuarial funding requirements. The State of New Hampshire funds 100% of the employer costs for all State employees and 35% of the employer costs for teachers, firefighters, and police officers employed by political subdivisions. The State of New Hampshire does not fund any of the employer costs for other political subdivision employees. For the fiscal year ended June 30, 2007, the employer contribution rate for providing retirement, disability, and death benefits for the employee classification was 6.81%. The employer contribution rate, including the State of New Hampshire's share, for the teacher classification for providing retirement, disability, and death benefits was 5.70%; for the police officer classification, 14.90%; and the firefighter classification, 22.09%.

33⅓% of certain Group I and Group II employer contributions were paid into Postemployment Medical Plans during fiscal year 2007. Subsequently, a transfer was made from the Special Account to the Pension Plan equal to the contributions made to the Postemployment Medical Plan.

Active members contribute through automatic payroll deductions. Member contribution rates, which are fixed by statute, are currently 5% of gross taxable earnings for employee and teacher members and 9.3% of gross taxable earnings for firefighter and police officer members. Member contributions plus earned interest, referred to as accumulated contributions, are credited to individual member accounts for each member. The interest rate applied to member accounts for fiscal years ended June 30, 2007 and June 30, 2006 was 9.0%.

TAX QUALIFIED PLAN

Employers may adopt the tax qualified plan available through NHRS. Under Section 414(h) of the United States Internal Revenue Code, contributions are deducted from an employee's gross reportable wages for federal income tax purposes and are not considered taxable gross income until the funds are distributed through either a lump sum payment or a retirement pension.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

CREDITABLE SERVICE

Members earn creditable service for periods during which they are actively contributing to the Pension Plan. Service credit may also be earned for the following:

(1) Prior Service — Service rendered under any of the predecessor systems when there has been no break in service; service rendered by an employee of a political subdivision before the employer elected participation of its employees in the Pension Plan.

(2) Military Duty — Military service in the Armed Forces of the United States or other emergency wartime service of the United States.

(3) Temporary Service — Service for an employment period of 6 months or more in a temporary, unclassified, or non-classified capacity or in non-permanent full-time employment prior to becoming a member.

(4) Withdrawn Service — Service for an employment period of 6 months or more for which a member withdrew his/her accumulated contributions after termination of employment.

(5) Enrollment Oversight — Service rendered during a period of time when a member should have been enrolled but was not.

(6) Previous Out-of-State or Federal Government Service — Service rendered in another state retirement system or federal government system.

(7) Workers' Compensation Recipients — Creditable service for a period of up to one year granted to members who receive weekly workers' compensation awards under RSA 281-A on or after July 1, 1994.

(8) Nonqualified service — Providing the active member has at least 5 years of creditable service, they may purchase not less than one month nor more than five years of nonqualified service credit within the meaning of section 415(n) of the United States Internal Revenue Code of 1986, as amended, upon payment of the full actuarial cost of such credit and approval of the Board of Trustees. This provision for purchase of nonqualified service credit was repealed through legislative action effective June 30, 2007.

SERVICE RETIREMENT

Group I contributing members qualify for a service retirement pension at age 60, with no minimum service credit required. From ages 60 to 64, the pension benefit formula multiplies a member's average final compensation of the three highest paid years by the years of creditable service and then by a unit credit rate of 1.67%. At age 65, all Group I members experience a reduction in their retirement pension when the applied unit credit rate changes to 1.51%.

Group II contributing members qualify for a service retirement pension at age 60, with no minimum service credit required, as well as between ages 45 and 60 with a minimum of 20 years of Group II service. The Group II pension benefit formula multiplies a member's average final compensation of the three highest paid years by years of creditable service not to exceed 40 years, and then by a unit credit rate of 2.5%.

For benefit calculation purposes, a member's final 12 months of earnable compensation is limited to 150% of the preceding 12 months' compensation or the higher of any year used in calculating average final compensation. Unused accrued holiday, vacation, sick, or other pay received for service rendered prior to June 30, 1991, paid for at termination of employment, is not subject to the 150% limitation.

EARLY SERVICE RETIREMENT

Group I members with at least 10 years of service are eligible to receive an early reduced retirement pension between ages 50 to 59, and with at least 20 years of service if their years of service when added to their age equal at least 70. Permanent benefit reductions are graduated for each year the member is under age 60 at 1.50% for 35 or more years of service; 3.00% for 30 to 35 years; 4.00% for 25 to 30 years; 5.00% for 20 to 25 years; and, 6.67% for less than 20 years.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

VESTING

Group I and Group II members with at least 10 years of service are eligible for a vested deferred retirement pension even if termination of active membership occurs before meeting the eligibility requirements for collecting a retirement pension. Vested deferred retirement pensions are based on creditable service and average final compensation when employment ends.

Group I members receive a full retirement pension at age 60, or as early as age 50 with an appropriate early retirement reduction.

Group II members with at least 10 years of creditable service who terminate employment may receive a retirement pension at that point when 20 years would have been completed but not before age 45, or at age 60.

ORDINARY DISABILITY RETIREMENT

Active members who have 10 or more years of credited service and become permanently disabled as the result of a mental or physical incapacity that prevents them from performing the duties of their job may qualify for an ordinary disability retirement pension.

Group I members age 60 and older receive an amount equal to a service retirement pension, based on creditable service and average final compensation when employment ends, and, under age 60, an amount equal to 90% of a service retirement pension. Group I members are guaranteed a minimum of 25% of average final compensation.

Group II members receive 100% of a service retirement pension based on creditable service and average final compensation when employment ends. Group II members are guaranteed a minimum of 25% of final compensation.

ACCIDENTAL DISABILITY RETIREMENT

Active contributing members who become permanently disabled as the result of a total mental or physical incapacity that prevents them from performing the duties of their job as the result of an on-the-job accident, repeated trauma or gradual degeneration while on the job, or any job-related occupational disease may qualify for an accidental disability retirement pension. Cases of trauma, degeneration, or occupational disease must first be found compensable by the Commissioner of Labor.

Group I members age 60 and older receive an amount equal to a service retirement pension based on creditable service and average final compensation when employment ends, and, under age 60, an amount equal to 50% of average final compensation. Group I members are guaranteed a minimum of 50% of average final compensation.

Group II members receive an amount equal to 66.67% of average final compensation.

ORDINARY DEATH BENEFIT — NON-JOB-RELATED DEATH

An ordinary death benefit is payable to the beneficiary(ies) of an active member who dies. If the member is vested or is eligible for retirement at the time of death and the surviving spouse is the only designated beneficiary, the spouse may receive a retirement pension until remarriage or death equal to 50% of the member's service retirement pension based on creditable service and average final compensation at the time of death. If the spouse prefers, he/she may receive a lump sum payment equal to the deceased member's annual earnable compensation and a return of member contributions plus earned interest. If the member is not vested or is not eligible for service retirement or leaves no surviving spouse, or if the designated beneficiary is someone other than the spouse, a lump sum payment equal to the deceased member's earnable compensation and member contributions plus earned interest is payable to the designated beneficiary(ies).

ACCIDENTAL DEATH BENEFIT — JOB-RELATED DEATH

An accidental death benefit is payable if an active Group I or Group II member dies as the result of an on-the-job accident. An accidental death benefit is also payable if a Group II member dies

CLICK HERE TO RETURN TO TABLE OF CONTENTS

as the result of job-related repeated trauma, gradual degeneration or any occupational disease. All accidental deaths must first be found compensable by the Commissioner of Labor.

If the member is married at the time of death, an annual pension is payable to the surviving spouse until remarriage or death. For Group I members, the pension is equal to 50% of the member's average final compensation at the time of death; for Group II, 50% of the member's final compensation at the time of death. If there is no surviving spouse, or if the spouse remarries or dies, the pension is payable to any of the deceased member's children under age 18. If there is no surviving spouse and no dependent children, the pension is payable to the deceased member's dependent mother or father.

If the member leaves no survivors who are eligible for the accidental death pension, then a lump sum payment equal to the member's annual earnable compensation is payable to the member's designated beneficiary(ies). In addition to the accidental death benefit, the deceased member's designated beneficiary(ies) receives a refund of the member contributions plus earned interest.

SPLIT BENEFITS — SERVICE IN BOTH GROUP I AND GROUP II

Generally, with creditable service in both Group I and Group II, members are entitled to a split benefit retirement pension, upon eligibility, based on creditable service in each group classification. The average final compensation to be used in calculating the actual benefit is based on the member's entire period of service.

For members who have less than 20 years of combined creditable service, the split benefit is payable at age 60. For members who have 20 or more years of combined service, the benefit is payable before age 60 by the number of whole years of Group II service, but not before age 45. Members with at least 10 years of combined creditable service may elect to receive an early reduced split benefit retirement pension up to 10 years before the appropriate minimum age, but not before age 45.

OPTIONAL ALLOWANCES

Upon disability or service retirement, a member may choose a reduced pension amount under an optional allowance in order to provide a beneficiary with a benefit after the retired member's death. Unless an optional allowance is elected, the only amount payable to a beneficiary after the retired member's death is any balance of member contributions plus earned interest not yet distributed. Optional allowances include the following:

Option 1	Extends the period of eligibility for a lump sum payment to a beneficiary, equal to any member contributions plus interest not yet distributed as part of the member annuity.
Option 2	100% of the retiree's reduced retirement pension payable to the survivorship beneficiary.
Option 3	50% of the retiree's reduced retirement pension payable to the survivorship beneficiary.
Option 4(A)	100% "Pop-Up" Option. Similar to Option 2, except that the retiree's reduced retirement pension "pops up" to the maximum benefit amount if the survivorship beneficiary predeceases the retiree.
Option 4(B)	50% "Pop-Up" Option. Similar to Option 3, except that the retiree's reduced retirement pension "pops up" to the maximum benefit amount if the survivorship beneficiary predeceases the retiree.
Option 4(C)	Some other benefit of the member's choice, approved by the NHRS Board of Trustees, payable to the beneficiary.

A retiring member may designate any number of his children as multiple beneficiaries under one of the survivorship options, where payments would be made to multiple children beneficiaries in equal shares after the retired member's death. Multiple beneficiaries under a survivorship option must be the member's natural children, adopted children, or stepchildren.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

MAXIMUM BENEFIT LIMITATIONS

Any allowance payable to a beneficiary, including a Group II Death Benefit, is subject to the limitations set forth in RSA 100-A:13-b and Internal Revenue Code Section 401(a)(9). The total allowance payable to your beneficiary(ies) is limited to 100% of your allowance.

Section 401(a)(9) of the Internal Revenue Code limits the survivorship allowance payable to a non-spouse beneficiary who is more than ten years younger than you. That limit is 52% to 96% of your allowance. The exact percentage will vary according to your age and the age of your beneficiary(ies).

AUTOMATIC SURVIVING SPOUSAL ALLOWANCE — GROUP II ONLY

Upon the death of a Group II member who retired under service or disability retirement on or after April 1, 1987, the surviving spouse is entitled to a pension, as long as the member was married to that spouse on the effective date of retirement. The pension is equal to 50% of the retired member's pension and is payable until the surviving spouse's remarriage or death. This pension is separate from a survivorship option.

LUMP SUM DEATH BENEFIT — GROUP II ONLY

If a Group II member had been a member of Group II as of June 30, 1988, and retired on or after July 1,1988, the designated beneficiary is entitled to a lump-sum payment of $10,000 after the retired member's death. If a Group II member became a member on or after July 1, 1988, but before July 1, 1993, then the lump-sum payment payable to the designated beneficiary is $3,600. No lump-sum payment is payable to beneficiaries of retired members who joined Group II after July 1, 1993.

COST-OF-LIVING ADJUSTMENTS (COLAs)

No later than May 31 of each year, the Fiscal Committee of the New Hampshire Legislature is empowered to approve COLAs, subject to availability of funding from the Special Account. When COLAs are granted by the Legislature, they become a permanent part of retirement pensions.

REFUND OF CONTRIBUTIONS

Members who terminate employment are entitled to withdraw their member contributions plus earned interest. All earned rights to a retirement pension are thereby forfeited.

HEALTH INSURANCE AFTER RETIREMENT

Political subdivision employers are required to make available to their retired employees the same level of health care coverage that they provide to their active employees. The responsibility for paying for that health insurance coverage may rest with either the employer or the retired employee.

The State of New Hampshire provides paid health insurance to its retired State employees and their spouses, if they meet the eligibility requirements. State paid health insurance is based on RSA 21-I:30 and is dependent on legislatively appropriated funding.

POSTEMPLOYMENT MEDICAL PLANS (OPEB PLANS)

The following Group I members and their qualified spouses are eligible for coverage under the postemployment medical plans. Also, any certifiably dependent child with a disability living in the household and being cared for by the qualified retired member, member's spouse, or qualified surviving spouse would also qualify:

- Employee and teacher members of political subdivisions who retire on or before July 1, 2008, on Service, Early Service, Vested Deferred or Ordinary Disability retirement would become eligible for the medical subsidy at age 60 with at least 20 years of creditable service; or as early as age 55 with at least 30 years of creditable service.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

- Employee and teacher members of political subdivisions who retired on Accidental Disability Retirement on or before July 1, 2004.
- Employee members of the State who retired on or before July 1, 2004, on Service, Ordinary Disability or Vested Deferred Retirement would become eligible for the medical subsidy at age 60 with at least 20 years of creditable service; or as early as age 55 with at least 30 years of creditable service.
- Employee and teacher members of political subdivisions who retire on or before July l, 2008, on Service, Early Service, Vested Deferred or Ordinary Disability retirement after completing at least 20 years of creditable service and who subsequently attain age 60 or after completing at least 30 years of creditable service and who subsequently attain age 55.
- Surviving spouses of deceased employee and teacher members of political subdivisions who die while in service, provided that such surviving spouse was covered as the member's spouse in the employer-sponsored plan before the member's death and is entitled to a monthly allowance under Accidental Death, Ordinary Death, or an Optional Allowance.
- Surviving spouses and children of employee and teacher members of political subdivisions who die as the natural and proximate result of injuries suffered while in the performance of duty. Eligibility for the medical subsidy ceases when the dependent child attains age 18 or age 23, if attending school on a full-time basis, or upon the spouse's remarriage.
- Surviving spouses and children of employee members of the State who died as the natural and proximate result of injuries suffered while in the performance of duty. Payment of the subsidy ceases when (i) the dependent child attains age 18 or age 23, if attending school on a full-time basis, or (ii) the spouse remarries.
- Vested terminated employee members of the State (and spouses) who completed at least 20 years of creditable service and prior to July 1, 2004 receives an allowance and who subsequently attains age 60.
- Employee members of the State (and spouses) who retire after completing at least 20 years of creditable service and who subsequently attains age 60 before July 1, 2004 or after completing at least 30 years of creditable service and who subsequently attains age 55 before July 1, 2004.
- Surviving spouses of deceased employee members of the State who died while in service on or before July 1, 2004, provided that such surviving spouse was covered as the member's spouse in the employer-sponsored plan before the member's death and is entitled to a monthly allowance under Accidental Death, Ordinary Death, or an Optional Allowance.

The following Group II members are eligible for the postemployment medical plans:

- Active or Retired Group II police officer members (or beneficiaries) as of June 30, 2000.
- Active or Retired Group II firefighter members (or beneficiaries) as of June 30, 2000.
- Persons who prior to July 1, 1988 had completed at least 20 years of Group II service and are eligible as of July 1, 1993 for a vested deferred retirement benefit.
- Group I members retired as of July 1, 1991 with a split benefit under RSA 100-A:19-c who have at least 10 years of Group II service.
- Group II members as of June 30, 2005 who subsequently became disabled while in the performance of duty at any time in the future.
- Surviving spouses of deceased Group II members who retired prior to April 1, 1987 and who are not receiving a monthly allowance.

The medical subsidy covers the retired member's spouse and any of the retired member's certifiably dependent and disabled children.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

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CLICK HERE TO RETURN TO TABLE OF CONTENTS

FINANCIAL SECTION

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Independent Auditors' Report

KPMG

KPMG LLP
99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800
Internet www.us.kpmg.com

Independent Auditors' Report

The Fiscal Committee of the General Court:

We have audited the accompanying financial statements of the New Hampshire Retirement System (the System), a component unit of the State of New Hampshire, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's 2006 financial statements and, in our report dated November 6, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the System as of June 30, 2007, and the changes therein for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 23 through 27 and the historical pension information on pages 50 through 51 are not a required part of the financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As discussed in note 8 to the financial statements, the System adopted GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective July 1, 2007.

Our audit was conducted for the purpose of forming an opinion on the financial statements. The supporting schedules, introductory, investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The supporting schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2008 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP

August 11, 2008

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Management's Discussion and Analysis—Required Supplementary Information

This section presents management's discussion and analysis of the New Hampshire Retirement System's (NHRS) financial performance during the fiscal year ended June 30, 2007 and is presented as a narrative overview and analysis in conjunction with the Letter of Transmittal included in the Introductory Section of the System's Comprehensive Annual Financial Report. The report presents the combined assessment of the financial performance of the Pension Plan and the Postretirement Medical Plans.

The discussion and analysis is intended to serve as an introduction to the basic financial statements. These statements include the Statements of Plan Net Assets, the Statements of Changes in Plan Net Assets, the related Notes to the Financial Statements, and the Required Supplementary Information for the fiscal year ended June 30, 2007 with summarized comparable totals for fiscal year 2006. The excess of assets over liabilities is reported as "Net Assets Held in Trust for Benefits."

FINANCIAL HIGHLIGHTS

Net assets increased by $855.6 million (16.7%) from the prior year's net asset balance. The comparable increase in net assets for fiscal year 2006 was $383.7 million. Net investment income during fiscal year 2007 was $839.0 million compared to net investment income during fiscal year 2006 of $460.2 million. This represents a 16.0% time weighted investment rate of return for the total fund for the fiscal year ended June 30, 2007 compared to a 10.0% investment rate of return for the year ended June 30, 2006.

FINANCIAL ANALYSIS

The following schedules report the Condensed Comparative Plan Net Assets and the Condensed Comparative Changes in Plan Net Assets for the New Hampshire Retirement System for the fiscal years ended June 30, 2007 and June 30, 2006.

Condensed Comparative Plan Net Assets — Combined Plans
(Dollar Values Expressed in Millions)

	As Of June 30, 2007	As Of June 30, 2006	Amount Increase (Decrease)	Percentage Increase (Decrease)
Cash	$ 3.0	$ 2.3	$ 0.7	30.4%
Receivables	183.5	211.0	(27.5)	(13.0%)
Investments	5,920.0	5,134.7	785.3	15.3%
Cash Collateral on Securities Lending	804.3	829.7	(25.4)	(3.1%)
Other Assets	3.3	4.7	(1.4)	(29.8%)
Total Assets	**$6,914.1**	**$6,182.4**	**$731.7**	**11.8%**
Cash Collateral on Securities Lending	804.3	829.7	(25.4)	(3.1%)
Other Liabilities	141.9	240.4	(98.5)	(41.0%)
Total Liabilities	**$ 946.2**	**$1,070.1**	**($123.9)**	**(11.6%)**
Net Assets Held in Trust for Benefits	**$5,967.9**	**$5,112.3**	**$855.6**	**16.7%**

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Condensed Comparative Changes in Plan Net Assets — Combined Plans
(Dollar Values Expressed in Millions)

	Year Ended June 30, 2007	Year Ended June 30, 2006	Amount Increase (Decrease)	Percentage Increase (Decrease)
ADDITIONS:				
Employer Contributions	$ 178.6	$170.8	$ 7.8	4.6%
Member Contributions	272.4	147.8	124.6	84.3%
Net Investment Income (Loss)	839.0	460.2	378.8	82.3%
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	58.2	61.4	(3.2)	(5.2%)
Net Asset Transfers to Pension Plan	295.4	—	295.4	
Other Income	1.0	0.9	0.1	11.1%
Total Additions to Plan Net Assets	**$1,644.6**	**$841.1**	**$803.5**	**95.5%**
DEDUCTIONS:				
Benefits Paid	$ 391.6	$358.3	$ 33.3	9.3%
Refunds of Contributions	34.1	29.4	4.7	16.0%
Postemployment Medical Plan Transfers from OPEB Plans on Behalf of Employers	58.2	61.4	(3.2)	(5.2%)
Net Asset Transfers from OPEB Plans	295.4	—	295.4	
Administrative Expenses	6.1	5.3	0.8	15.1%
Other Deductions	3.6	3.0	(0.6)	(20.0%)
Total Deductions from Plan Net Assets	**$ 789.0**	**$457.4**	**$331.6**	**72.5%**
Total Changes in Plan Net Assets	**$ 855.6**	**$383.7**	**$471.9**	**123.0%**

Total assets increased by $731.7 million (11.8%) in fiscal year 2007. Receivables decreased by $27.5 million (13.0%) over the prior fiscal year due to a decrease in the pending sale of securities at fiscal year end. Investments increased by $785.3 million (15.3%). This increase in investments reflects strong returns in domestic and international equity markets during the fiscal year and continued strength in real estate investments. Cash collateral on security lending reflects a decrease of $25.4 million (3.1%) indicating lower securities on loan at the end of the fiscal year. Other assets decreased by $1.4 million for the fiscal year 2007. Other assets consist primarily of the capitalized cost of a pension administration system, net of depreciation.

Total liabilities decreased by $123.9 million (11.6%) at the end of the fiscal year. Security lending cash collateral was lower by $25.4 million compared to the prior year balance. Other liabilities decreased by $98.5 million (41.0%). The decrease in other liabillities is due to a decrease in payables related to the pending purchase of securities.

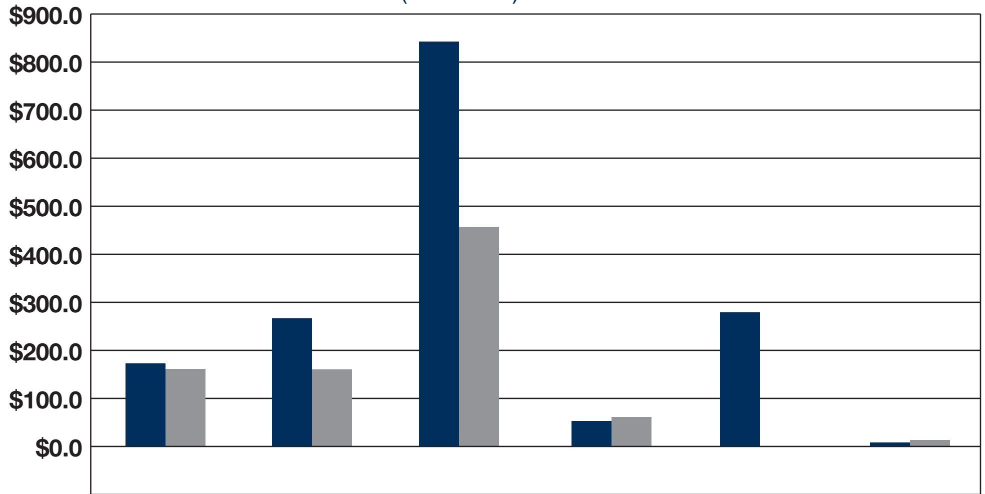
ADDITIONS TO PLAN NET ASSETS

For fiscal year 2007, the combined total of employer and member contributions increased by $132.4 million or 41.6%. Employer contributions increased from $170.8 million in fiscal year 2006 to $178.6 million (4.6%) in fiscal year 2007. The increase in employer contributions was a result of higher compensation paid to members. Member contributions increased by $124.6 million or 84.3% primarily due to voluntary purchases of nonqualified service by members.

Over the long term, the Plans' investment portfolio has been a major source for additions to plan net assets. Net investment income for the year was $839.0 million, compared to net investment income of $460.2 million for the prior year. Of this amount, net appreciation in the fair value of investments was $722.0 million in fiscal year 2007.

Additionally, overall income earned on investments, net of investment expenses, was $117.0 million in fiscal year 2007. Included in this amount was security lending income of $2.3 million.

CLICK HERE TO RETURN TO TABLE OF CONTENTS



	Employer Contributions	Member Contributions	Net Investment Income	Postemployment Medical Transfers	Asset Transfers to Pension Plan	Other Additions
FY 2007	$178.6	$272.4	$839.0	$58.2	$295.4	$0.1
FY 2006	$170.8	$147.8	$460.2	$61.4	—	$0.9

DEDUCTIONS TO PLAN NET ASSETS

Benefits paid increased by $33.3 million or 9.3% over fiscal year 2006. This increase was due to an additional number of retirees and to cost of living adjustments granted to retirees through legislative action. In addition, the postemployment medical subsidy paid to qualified retirees increased by 8% in accordance with State law. Refunds of contributions increased $4.7 million or 16.0% over 2006 due to legislative changes reducing the number of years a terminated member may remain in the Pension Plan from 6 years to 2 years. Administrative expense increased from $5.3 million in fiscal year 2006 to $6.1 million, an increase of $0.8 million or 15.1%. This increase was primarily due to increased salary and benefit costs.

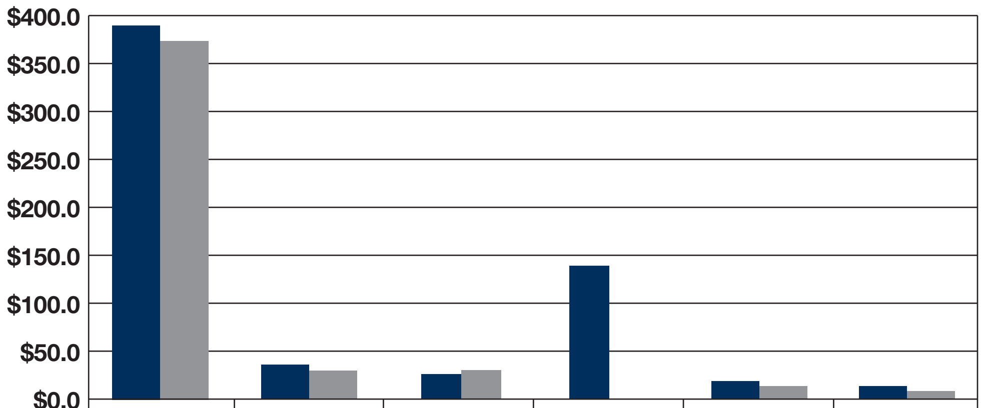
PLAN FUNDING STATUS

Legislation was enacted during fiscal year 2007 that changed the actuarial cost method used to determine the annual required employer contributions to the entry age normal cost method. The actuarial cost method used for fiscal year 2006 was the open group aggregate cost method, with target funding as a minimum in the determination of the annual required employer contributions. The open group aggregate actuarial method did not identify or separately amortize unfunded actuarial accrued liabilities. Therefore, the Board of Trustees required the actuary to present the funding status of the Plans using the projected unit credit actuarial cost method as a surrogate measurement. The different methodology used for fiscal year 2006 does not provide for a consistent year-to-year measure of the unfunded actuarial accrued liability and funded status. The funding ratios are calculated by dividing the actuarial value of assets available for benefits by the actuarial accrued liability.

For the Pension Plan, the actuarial accrued liability at June 30, 2007 based on the June 30, 2007 actuarial valuation was $7.260 billion. The actuarial value of assets available to pay pension benefits at June 30, 2007 was $4.862 billion resulting in an unfunded actuarial accrued liability of $2.398 billion and a funding ratio of 67.0%.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Deductions to Plan Net Assets
Comparative Data for FY 2007 and FY 2006
(in millions)



	Benefits Paid	Refunds	Postemployment Medical Transfers	Asset Transfers from OPEB Plans	Administrative Expenses	Other Deductions
■ FY 2007	$391.6	$34.1	$58.2	$295.4	$6.1	$3.6
■ FY 2006	$358.3	$29.4	$61.4	—	$5.3	$3.0

For the OPEB Plans, the actuarial accrued liability at June 30, 2007 based on the June 30, 2007 actuarial valuation was $638.4 million. The actuarial value of assets available to pay postemployment medical benefits at June 30, 2007 was $157.0 million resulting in an unfunded actuarial accrued liability of $481.4 million and a funding ratio of 24.6%. The substantial decline for fiscal year 2007 in assets available to pay postemployment medical benefits was a result of a determination that assets with a fair value of $295.4 million as of June 30, 2007 that were previously reported as postemployment medical plan assets in prior years could no longer be reported as postemployment medical plan assets, but rather had to be reported as retirement assets. The adoption of new accounting standards and impact on the financial statements are addressed more fully in Note 8.

INVESTMENT PERFORMANCE

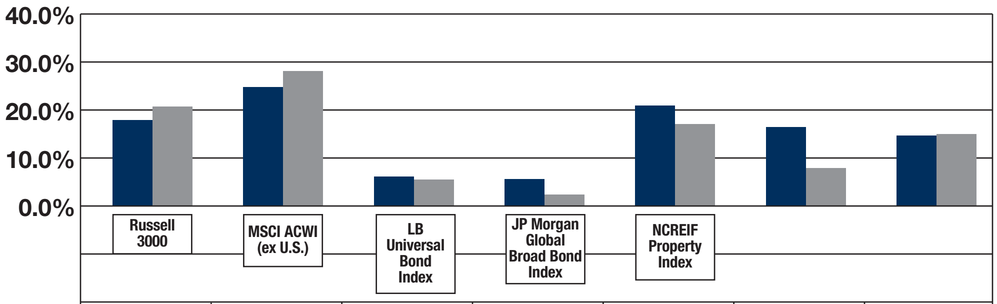
NHRS recognizes that it operates in a dynamic economic environment. The challenges of investing the Plans' funds strategically to achieve above average market returns balanced with controlled risk are greater than ever and NHRS has allocated assets to a broad range of assets classes to earn above average investment returns and to maintain adequate levels of liquidity and risk.

The equity (59.6%) and fixed income (27.3%) investments comprise approximately 86.9% of invested assets as of June 30, 2007. The remaining 13.1% of assets are predominantly invested in cash and cash equivalents, commercial real estate and alternative investments, including venture capital, timber and absolute return strategy investments for the primary purpose of seeking to earn enhanced returns and for managing risk through diversification.

Investment performance results are measured by the relationship of the Plans' portfolio returns for equity and fixed income investments against widely accepted market indices. For the fiscal year ended June 30, 2007, the Plans' total fund return was 16.0%, compared to 10.0% for the fiscal year ended June 30, 2006, an increase of 6.0% on a year-to-year basis. The domestic equity portfolio returned 18.6% lagging the Russell 3000 Index by 150 basis points. The international equity investments returned 25.0%, lagging the MSCI ACWI (ex U.S) Index by 460 basis points. The domestic fixed income investments returned 6.7%, outperforming the Lehman Brothers Universal Bond Index by 10 basis points, and the global fixed

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Investment Performance NHRS vs. Selected Indices
FY 2007



	Domestic Equity	International Equity	Domestic Fixed	Global Fixed	Commercial Real Estate	Alternatives	Total Fund
■ NHRS	18.6%	25.0%	6.7%	6.7%	20.9%	16.5%	16.0%
■ Indices	20.1%	29.6%	6.6%	3.3%	17.2%	7.9%*	16.2%**

* There is not a generally accepted index for alternative investments. However, the Consumer Price Index plus 5% is utilized for comparative purposes.

** The total fund index is a custom index comprised of major market indices in proportion to the System's asset allocation.

income portfolio returned 6.7%, outperforming the J.P. Morgan Global Broad Bond Index by 340 basis points.

Additionally, the commercial real estate portfolio returned 20.9% and outperformed the NCREIF Property Index by 370 basis points. The alternative investment class, including venture capital, timber funds and absolute return strategy investments returned 16.5% for the fiscal year ended June 30, 2007.

CONTACTING THE NEW HAMPSHIRE RETIREMENT SYSTEM

The Comprehensive Annual Financial Report is designed to provide a general overview of the New Hampshire Retirement System's investment results and financial condition of the Pension Plan and Postemployment Medical Plans for the year ended June 30, 2007. Please contact the New Hampshire Retirement System's Office for additional financial information or for questions related to this report.

COMBINED STATEMENTS OF PLAN NET ASSETS
PENSION PLAN AND OTHER POSTEMPLOYMENT MEDICAL PLANS (OPEB)

FOR THE YEAR ENDED JUNE 30, 2007 (with summmarized financial information for the year ended June 30, 2006)

	PENSION PLAN 2007	GROUP II POLICE OFFICER & FIREFIGHTER OPEB PLAN 2007
ASSETS:		
Cash	$ 2,986	$ 63
Receivables:		
Due from Employers	15,319	—
Due from State	5,307	—
Due from Plan Members	15,327	—
Due from Group I State Employees OPEB Plan	—	—
Due from Brokers for Securities Sold	113,435	2,387
Interest and Dividends	13,460	283
Other	1,553	33
Total Receivables	**164,401**	**2,703**
INVESTMENTS AT FAIR VALUE		
Cash and Cash Equivalents:	91,099	1,917
Equity Investments:		
Domestic	2,495,529	52,503
International	928,910	19,543
Fixed Income Investments:		
Domestic	1,365,010	28,718
Global	205,623	4,326
Commercial Real Estate	386,356	8,129
Alternative Investments	275,486	5,796
TOTAL INVESTMENTS	**5,748,013**	**120,932**
Cash Collateral on Security Lending	780,955	16,431
Other Assets	3,167	67
TOTAL ASSETS	**6,699,522**	**140,196**
LIABILITIES:		
Cash Collateral on Securities Lending	780,955	16,431
Management Fees and Other Payables	5,338	112
Due to Group I Political Subdivision Employees OPEB Plan	—	—
Due to Brokers for Securities Purchased	117,624	2,475
TOTAL LIABILITIES	**903,917**	**19,018**
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER POST EMPLOYMENT BENEFITS (OPEB)	**$5,795,605**	**$121,178**

The accompanying notes are an integral part of the financial statements.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

(in thousands)

	GROUP I TEACHERS OPEB PLAN 2007	GROUP I POLITICAL SUBDIVISION OPEB PLAN 2007	GROUP I STATE EMPLOYEES OPEB PLAN 2007	TOTAL 2007	TOTAL 2006
	$ 11	$ 15	—	$ 3,075	$ 2,348
	—	—	—	15,319	15,278
	—	—	—	5,307	4,620
	—	—	—	15,327	15,243
	—	15,242	—	15,242	—
	424	583	—	116,829	161,104
	50	69	—	13,862	14,371
	6	8	—	1,600	343
	480	**15,902**	**—**	**183,486**	**210,959**
	341	469	—	93,826	273,881
	9,329	12,825	—	2,570,186	2,419,190
	3,472	4,774	—	956,699	652,392
	5,103	7,015	—	1,405,846	872,814
	769	1,057	—	211,775	178,577
	1,444	1,986	—	397,915	400,900
	1,030	1,416	—	283,728	336,900
	21,488	**29,542**	**—**	**5,919,975**	**5,134,654**
	2,919	4,014	—	804,319	829,734
	12	17	—	3,263	4,738
	24,910	**49,490**	**—**	**6,914,118**	**6,182,433**
	2,919	4,014	—	804,319	829,734
	20	27	—	5,497	8,094
	—	—	15,242	15,242	—
	440	605	—	121,144	232,349
	3,379	**4,646**	**15,242**	**946,202**	**1,070,177**
	$21,531	**$44,844**	**($15,242)**	**$5,967,916**	**$5,112,256**

CLICK HERE TO RETURN TO TABLE OF CONTENTS

COMBINED STATEMENTS OF CHANGES IN PLAN NET ASSETS
PENSION PLAN AND OTHER POSTEMPLOYMENT MEDICAL PLANS (OPEB)

FOR THE YEAR ENDED JUNE 30, 2007 (with summmarized financial information for the year ended June 30, 2006)

	PENSION PLAN 2007	GROUP II POLICE OFFICER & FIREFIGHTER OPEB PLAN 2007
ADDITIONS:		
Contributions (NOTE 6):		
Employers	$96,368	$12,348
State Contributions on Behalf of Local Employers	24,070	5,730
Total Employer Contributions	**120,438**	**18,078**
Plan Member	272,369	—
Total Contributions	**392,807**	**18,078**
Investment Income		
From Investment Activities:		
Net Appreciation (Depreciation) in Fair Value of Investments	662,340	35,060
Interest	58,265	3,117
Dividends	41,709	2,232
Net Commercial Real Estate Income	24,579	1,315
Alternative Investment Income (Loss)	3,660	196
Total Income from Investment Activities	**790,553**	**41,920**
Less: Investment Expenses:		
Investment Management Fees	21,928	1,207
Custodial Fees	604	12
Investment Advisor Fees	525	11
Total Investment Activity Expenses	**23,057**	**1,230**
Total Net Income from Investment Activities	**767,496**	**40,690**
From Securities Lending Activities (NOTE 3):		
Securities Lending Income	41,647	860
Less: Securities Lending Borrower Rebates	38,886	803
Less: Securities Lending Management Fees	556	11
Net Income from Securities Lending Activities	**2,205**	**46**
Total Net Investment Income	**769,701**	**40,736**
Postemployment Medical Plan Transfers on Behalf of Employers	58,201	—
Net Asset Transfers (NOTE 8)	295,392	—
Interest Income	—	—
Other	86	2
TOTAL ADDITIONS	**1,516,187**	**58,816**
DEDUCTIONS:		
Benefits Paid	344,851	13,672
Refunds of Contributions	34,080	—
Postemployment Medical Plan Transfers on Behalf of Employers	—	18,078
Net Asset Transfers (NOTE 8)	—	160,377
Administrative Expense (NOTE 7)	5,607	295
Professional Fees	665	25
Interest Expense	—	—
Other	1,775	90
TOTAL DEDUCTIONS	**386,978**	**192,537**
CHANGE IN NET ASSETS	**$1,129,209**	**($133,721)**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)		
Beginning of the Year	$4,666,396	$254,899
End of the Year	$5,795,605	$121,178

The accompanying notes are an integral part of the financial statements.

 CLICK HERE TO RETURN TO TABLE OF CONTENTS

(in thousands)

GROUP I TEACHERS OPEB PLAN 2007	GROUP I POLITICAL SUBDIVISION OPEB PLAN 2007	GROUP I STATE EMPLOYEES OPEB PLAN 2007	TOTAL 2007	TOTAL 2006
$ 11,486	$ 11,858	$ 10,474	$ 142,534	$ 137,236
6,305	—	—	36,105	33,585
17,791	**11,858**	**10,474**	**178,639**	**170,821**
—	—	—	272,369	147,821
17,791	**11,858**	**10,474**	**451,008**	**318,642**
13,167	11,404	—	721,971	352,662
1,172	1,016	—	63,570	58,255
839	727	—	45,507	54,420
494	429	—	26,817	20,618
74	64	—	3,994	(1,748)
15,746	**13,640**	**—**	**861,859**	**484,207**
456	391	—	23,982	25,308
2	3	—	621	444
2	2	—	540	602
460	**396**	**—**	**25,143**	**26,354**
15,286	**13,244**	**—**	**836,716**	**457,853**
141	190	—	42,838	29,107
131	177	—	39,997	26,174
2	3	—	572	587
8	**10**	**—**	**2,269**	**2,346**
15,294	**13,254**	**—**	**838,985**	**460,199**
—	—	—	58,201	61,449
—	—	—	295,392	—
—	942	—	942	—
—	—	—	88	820
33,085	**26,054**	**10,474**	**1,644,616**	**841,110**
17,260	4,880	10,941	391,604	358,276
—	—	—	34,080	29,382
17,791	22,332	—	58,201	61,449
78,362	17,331	39,322	295,392	—
109	94	—	6,105	5,284
7	8	—	705	1,063
—	—	942	942	—
33	29	—	1,927	1,990
113,562	**44,674**	**51,205**	**788,956**	**457,444**
($ 80,477)	**($18,620)**	**($40,731)**	**$ 855,660**	**$ 383,666**
$102,008	$63,464	$25,489	$5,112,256	$4,728,590
$ 21,531	$44,844	($15,242)	$5,967,916	$5,112,256

CLICK HERE TO RETURN TO TABLE OF CONTENTS

NOTE 1 — NEW HAMPSHIRE RETIREMENT SYSTEM

The New Hampshire Retirement System (NHRS) is a public employee retirement system that administers one cost-sharing multiple-employer pension plan (Pension Plan) and four separate cost-sharing multiple-employer postemployment medical subsidy healthcare plans. Collectively the Pension Plan and the postemployement medical subsidy healthcare plans are hereafter referred to as the Plans.

Although the assets of the Plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms. Accordingly, the results of each plan are presented separately in the accompanying financial statements.

NHRS participates as an employer in the Plans and its employees are members of the Plans. For the fiscal years ended June 30, 2007, 2006 and 2005, NHRS made employer contributions of $178,448, $153,755 and $119,424, respectively, to the Plans for its employees. NHRS employees contributed $131,006, $113,007 and $101,212, respectively, on their own behalf to the Pension Plan for the same time periods.

The administrative office of NHRS, which functions as a self-sustaining governmental entity, operates under a budget which is proposed by management, approved by the Board of Trustees, submitted under the budget preparation guidelines of the State of New Hampshire, and passed into law by the New Hampshire Legislature.

In accordance with Governmental Accounting Standards Board (GASB) No. 14, the New Hampshire Retirement System is a component unit of the State. This determination was made on the basis of fiscal dependence on the State solely for budget oversight over certain administrative expenses. A copy of the State of New Hampshire's CAFR may be viewed at www.admin.state.nh.us/accounting/.

PENSION PLAN

The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

As required by RSA 100-A:41-a, effective July 1, 1994, the Pension Plan provides for the possible payment of supplemental retirement allowances also known as cost-of-living adjustments (COLA). Effective July 1, 1999, any retired member who has been retired for at least 12 months (or beneficiary of such a member) could be entitled to receive on the member's retirement anniversary date a COLA from 1% to 5%. No later than May 31 of each year, the Fiscal Committee of the general court may approve such supplemental retirement allowances payable on the following July 1 based on the funds available in the Special Account of the Pension Plan.

The type and number of employers contributing to the Pension Plan during the years ended June 30, 2007 and 2006 are presented below.

EMPLOYERS CONTRIBUTING	2007	2006
State Government	5	5
City Governments	13	13
Town Governments and Related Entities	240	239
County Governments and Related Entities	12	12
School Districts and School Administrative Units	206	206
Total Employers	**476**	**475**

CLICK HERE TO RETURN TO TABLE OF CONTENTS

As of June 30, 2007 and 2006, membership data related to the Pension Plan was as follows:

MEMBERSHIP DATA	**2007**	**2006#**
Retirees and beneficiaries currently receiving benefits	21,248	19,711
Terminated employees entitled to benefits but not yet receiving them	1,049	1,107
Active plan participants	50,802	51,738
Inactive plan participants	4,717	4,961
Total Membership	**77,816**	**77,517**

Information estimated as there was no full actuarial valution prepared as of June 30, 2006.

The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police officers and firefighters belong to Group II. All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each membership group are summarized below.

Group I Members at age 60 qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest three years. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. AFC is defined as the average of the three highest salary years, and for benefit calculation purposes only, the final year's salary cannot exceed by more than 150% the higher of the previous year's salary or the salary for the highest year used in the calculation of AFC (not including the final year's salary). At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service. Members in service with 10 or more years of creditable service who are between age 50 and 60 or members in service with at least 20 years of creditable service, whose age plus service is equal to or greater than 70, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

Group II Members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Members are required to contribute a percentage of gross earnings to the Pension Plan as more fully described in Note 6. The percentage rates, established by state statute, are dependent upon member group classification. The deductions are made from member wages and are remitted by the employer to the Pension Plan on a monthly basis. If a member leaves employment prior to retirement or vesting, accumulated member contributions plus earned interest are refunded to the withdrawing member or to the designated beneficiary in the case of death. However, accumulated contributions plus interest of a non-vested, non-contributing member may remain in the Pension Plan and earn interest for up to two years.

Employers make monthly contributions to the Pension Plan based on rates determined by periodic actuarial valuations as more fully described in Note 6.

OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB)

Pursuant to RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b NHRS administers four defined benefit postemployment medical subsidy healthcare plans designated in statute by membership type. The four plans are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees, collectively referred to as the OPEB Plans.

The eligibility requirements for medical subsidy benefits are discussed in the Summary of Plan Provisions on pages 18 and 19. Membership of each OPEB plan consisted of the following eligible retirees receiving benefits as of June 30, 2007, the date of the latest actuarial valuation. Comparative data is not available for fiscal year 2006.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Plan	Number Of Retirees	1 Person Plan Pre 65	1 Person Plan Post 65	2 Person Plan Pre 65	2 Person Plan Post 65
Group II Police Officer & Firefighters	2,319	459	981	857	22
Group I Teachers	3,311	794	2,057	316	144
Group I Political Subdivision Employees	999	166	734	87	12
Group I State Employees	2,375	253	1,775	259	88
Total OPEB Membership	**9,004**	**1,672**	**5,547**	**1,519**	**266**

The number of participating employers for each of the OPEB plans at June 30, 2007 is:

Group II Police Officer & Firefighters	197
Group I Teachers	188
Group I Political Subdivision Employees	403
Group I State Employees	5

The maximum monthly subsidy amounts paid during fiscal 2007 were as follows:

For qualified retirees not eligible for Medicare the amounts were $347.74 for a single person plan and $695.48 for a two person plan. For those qualified retirees eligible for Medicare, the amounts were $236.84 for a single person plan and $473.68 for a two person plan. The monthly maximum subsidy amounts payable are increased on July 1st of each year by 8.0%.

Benefit provisions of the OPEB Plans can be amended only by legislative action taken by the New Hampshire State Legislature pursuant to the authority granted them under the New Hampshire State Constitution. The Legislature may cease providing the medical subsidy benefits under the OPEB Plans, for any reason, at any time.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

BASIS OF ACCOUNTING

Investment income and investment expenses are prorated between the Plans based on the net assets. The financial statements are prepared on the accrual basis of accounting. Contributions are recognized as revenue in the period when they become due pursuant to formal commitments or statutory or contractual requirements. Investment income is recognized as it is earned. Benefits, refunds and investment expenses are recognized when they become due and payable. Net appreciation (depreciation) in the fair value of investments is recorded as an increase (decrease) to investment income based on the valuation of investments as of the date of the financial statements.

The financial statements include certain prior year summarized comparative information in total but not by separate plan. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended June 30, 2006, from which the summarized information was derived. Certain amounts for fiscal year 2006 have been reclassified to conform to the fiscal year 2007 presentation as is more fully described in Note 8.

INVESTMENTS

Investments in both domestic and international securities are valued at current market prices and international securities are expressed in U.S. dollars. Fixed income investments include investments in international and U.S. bonds. International equity represents investment in non-U.S. stocks only. NHRS uses the trade date basis for accounting of these investments.

Commercial real estate properties are organized into separate holding companies for the purpose of limiting liability to the carrying value of each individual property. The appraised value of the real estate, as well as the fair value of the related assumable mortgage notes payable are considered in determining the fair value of these investments. NHRS has adopted a cyclical approach for external appraisals. Properties are selected for external appraisals based on the advice of NHRS's consultant. Investment manager fair value estimates are used during the interim years. Properties held for sale are reported net of disposition costs.

Alternative investments include investments in venture capital funds, buyout funds, natural resources funds, mezzanine capital funds, timberfunds and absolute return strategies. Alternative investments are valued at fair value as estimated by NHRS. This estimated fair value is determined in good faith by NHRS and is based on the percentage ownership in the underlying alternative investments. Cash and cash equivalents are valued at cost which reflects approximate fair value. Cash and cash equivalents primarily represent investments in the pooled short term investment funds managed by NHRS's custodian. These funds invest mainly in high-grade money market instruments with maturity averaging less than three months. These funds provide daily liquidity and allow the Board to reinvest these funds to other asset classes.

The Plans hold no investments, either directly or indirectly, nor participate in any loans or leases, or other party-in-interest transactions with any NHRS officials, New Hampshire State Government officials, or parties related to these officials.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Fair values for commercial real estate and alternative investments have been estimated in the absence of readily available fair values, and these estimates may be materially different than values that would have been used had a ready market existed for these investments.

NOTE 3 — INVESTMENTS AND DEPOSITS

RSA 100-A:15, I, authorizes the members of the Board of Trustees to manage, invest and reinvest all of the assets and proceeds, and related income, and all contributions and payments made to the Plans exercising the judgment and care under the circumstances then prevailing, which persons of prudence, discretion and intelligence, acting in a like capacity and familiar with such matters, would use in the conduct of a pension plan of like character and with like aims of the Plans.

To aid in the prudent investment of the Plans' assets, NHRS adopted a formal statement of investment policy. This policy authorized and directed the appointment of an Investment Committee with the full power to act for the Board with regard to the investments of the Plans. Primary components of the policy include the delineation of roles and responsibilities of trustees, staff, and service providers; investment philosophy; asset allocation policy; and asset class performance measurement and monitoring policy. This policy may be modified by the Investment Committee as deemed necessary. In addition, NHRS maintains portfolio-level investment management objectives, guidelines and restrictions.

Each professional investment manager is bound by policy and contract to a standard of care that establishes a fiduciary relationship requiring the manager to act prudently and solely in the best interest of the Plans and its beneficiaries. The investment guidelines provide parameters for portfolio management including permissible investment types; security concentration thresholds; investment restrictions; and benchmarks for performance measurement and monitoring. NHRS utilizes a custodial bank compliance system to monitor the investment portfolios against the respective guidelines.

CUSTODIAL CREDIT RISK — DEPOSITS

Custodial credit risk for deposits is the risk that in an event of a bank failure, deposits may not be recovered. NHRS does not have a deposit policy to manage custodial credit risk on deposits.

At June 30, 2007 and June 30, 2006, NHRS held deposits of $3,074,812 and $2,348,345, respectively, in the local custodian bank. These deposits are used to support the daily working capital needs of

NHRS. The following schedule shows NHRS's exposure to custodial credit risk at June 30, 2007 and June 30, 2006.

(in thousands)

	June 30 2007	June 30 2006
Insured	$ 100	$ 100
Uninsured and uncollateralized	$2,975	$2,248
Total Deposits	$3,075	$2,348

CUSTODIAL CREDIT RISK — INVESTMENTS

Investment securities are exposed to custodial credit risk if the investment securities are uninsured, are not registered in the name of the Plans, and are held by either:

a. The counterparty to a transaction or

b. The counterparty's trust department or agent but not in the Plans' name.

NHRS does not have a policy to control custodial credit risk on investments. All marketable investments are held by the Plans' master custodian. At June 30, 2007 and 2006, there were no investment securities held by the master custodian that were uninsured and not registered in the Plans' name.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributable to the magnitude of the Plans' investments in a single issuer. NHRS's investment policy limits investments in a single issuer to 10% of investments in order to control the overall risk of loss on a total portfolio level. Although NHRS may permit latitude to an individual investment manager to exceed the 10% limit, the goal is to maintain a broadly diversified investment portfolio and to limit investments on a total portfolio level to a concentration less than 10% in any single issuer.

At June 30, 2007 the Plans held investments in a commingled equity index fund and a commingled fixed income index fund that represented 22.8% and 8.7% of total investments, respectively. At June 30, 2007 and June 30, 2006, there were no securities held in the Plans' investment portfolio that exceeded 5% in a single issuer.

INTEREST RATE RISK — FIXED INCOME INVESTMENTS:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income investments. NHRS does not have a formal policy to manage interest rate risk on fixed income investments.

To illustrate the Plans' interest rate risk exposure at June 30, 2007 and 2006, the schedule below groups fixed income investment maturities into sequential time periods. Fixed income investments with maturity dates farther out into the future are generally more sensitive to interest rate risk than fixed income investments with shorter maturity date periods.

Debt investment terms may cause fair value to be highly sensitive to interest rate changes. The analysis below also discloses the degree to which the Plans' investments are sensitive to interest rate changes due simply to the remaining term to maturity.

SEGMENTED TIME DISTRIBUTION — FIXED INCOME INVESTMENTS AT JUNE 30, 2007

(in thousands)

		Investment Maturities (In Years)				
Investment Type	**Fair Value June 30, 2007**	**Less Than 1 Year**	**1–6 Years**	**6–10 Years**	**10+ Years**	**Maturity Not Determined**
Asset Backed Securities	$ 1,672	$ —	$ 1,672	$ —	$ —	$ —
Commercial Mortgage Backed	131,410	—	—	—	131,410	—
Corporate Bonds	203,678	4,546	73,609	36,216	89,307	—
Government Agencies	22,730	—	12,838	8,781	1,111	—
Government Bonds	335,466	58,631	111,101	74,792	90,942	—
Government Mortgage Backed	346,725	—	11,423	4,200	323,290	7,812
Municipal/Provincial Bonds	23,057	2,049	3,128	16,646	1,234	—
Non-Government Backed C.M.O.'s	36,995	—	—	—	36,995	—
Other Fixed Income*	515,888	—	—	—	—	515,888
Totals	**$1,617,621**	**$65,226**	**$213,771**	**$140,635**	**$674,289**	**$523,700**

*Represents investment in commingled fixed income index fund with an average weighted maturity at June 30, 2007 of 7.2 years.

SEGMENTED TIME DISTRIBUTION — FIXED INCOME INVESTMENTS AT JUNE 30, 2006

(in thousands)

		Investment Maturities (In Years)			
Investment Type	**Fair Value June 30, 2006**	**Less Than 1 Year**	**1–6 Years**	**6–10 Years**	**10+ Years**
Asset Backed Securities	$ 20,487	$ —	$ 17,175	$ —	$ 3,312
Commercial Mortgage Backed	103,883	—	—	—	103,883
Corporate Bonds	199,401	3,125	67,150	27,369	101,757
Government Agencies	14,342	314	14,028	—	—
Government Bonds	301,499	20,009	123,153	103,093	55,244
Government Mortgage Backed	348,183	—	4,541	4,391	339,251
Municipal/Provincial Bonds	36,280	7,237	16,414	9,813	2,816
Non-Government Backed C.M.O.'s	27,316	—	46	—	27,270
Totals	**$1,051,391**	**$30,685**	**$242,507**	**$144,666**	**$633,533**

CREDIT RISK-FIXED INCOME SECURITIES:

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

NHRS controls credit quality risk on debt securities by requiring that a minimum of 65% of the total fixed income portfolio have Standard & Poor's credit quality rating of "A" or better.

The following schedules show the Plans' fixed income investments as of June 30, 2007 and 2006, including the distribution of those investments by Standard & Poor's quality credit ratings.

CREDIT RISK — FIXED INCOME SECURITIES AT JUNE 30, 2007

(in thousands)

		Quality Ratings				
Investment Type	**Fair Value June 30, 2007**	**AAA**	**AA**	**A**	**BBB or Lower**	**Unrated**
Asset Backed Securities	$ 1,672	$ 872	—	—	—	$ 800
Commercial Mortgage Backed	131,410	108,146	—	—	—	23,264
Corporate Bonds	203,678	8,760	35,872	47,791	90,932	20,323
Government Agencies	22,730	22,536	—	194	—	—
Government Bonds*	148,272	79,971	—	19,745	16,242	32,314
Government Mortgage Backed*	328,714	327,806	—	—	—	908
Municipal/Provincial Bonds	23,057	13,565	5,450	—	1,234	2,808
Non-Government Backed C.M.O.'s	36,995	29,675	—	—	—	7,320
Other Fixed Income**	515,888	—	—	—	—	515,888
Totals	**$1,412,416**	**$591,331**	**$41,322**	**$67,730**	**$108,408**	**$603,625**
Percent of Total Fair Value		**41.9%**	**2.9%**	**4.8%**	**7.7%**	**42.7%**

*Government bonds ($187,194) and Government mortgage backed ($18,011) exclude U.S. government securities and securities explicitly guaranteed by the U.S. government because these securities are not considered to have credit risk.

**Represents investment in commingled fixed income index fund with an average credit quality rating at June 30, 2007 of AA.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

CREDIT RISK — FIXED INCOME SECURITIES AT JUNE 30, 2006 (in thousands)

Investment Type	Fair Value June 30, 2006	Quality Ratings AAA	AA	A	BBB or Lower	Unrated
Asset Backed Securities	$ 20,487	$ 20,487	—	—	—	—
Commercial Mortgage Backed	103,883	90,155	—	—	—	$13,728
Corporate Bonds	199,401	4,936	$23,789	$56,485	$100,728	13,463
Government Agencies	14,342	14,152	—	190	—	—
Government Bonds*	122,842	65,997	—	13,085	10,567	33,193
Government Mortgage Backed*	328,179	328,179	—	—	—	—
Municipal/Provincial Bonds	36,280	24,726	11,554	—	—	—
Non-Government Backed C.M.O.'s	27,316	27,316	—	—	—	—
Totals	**$852,730**	**$575,948**	**$35,343**	**$69,760**	**$111,295**	**$60,384**
Percent of Total Fair Value		**67.5%**	**4.1%**	**8.2%**	**13.1%**	**7.1%**

*Government bonds ($178,657) and Government mortgage backed ($20,004) exclude U.S. government securities and securities explicitly guaranteed by the U.S. government because these securities are not considered to have credit risk.

FOREIGN CURRENCY RISK — INVESTMENTS:

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

NHRS manages its foreign currency risk primarily through its strategic asset allocation policy guidelines. Investments in international equity securities have a target asset allocation of 16% of total investments with an acceptable target range of 12–20%. Global fixed income securities have a target asset allocation of 4% of total investments within an acceptable target range of 2–6%. Foreign investments in the alternative asset class which include venture capital, buyout funds, timber and absolute return strategy investments are permitted. However, NHRS's investment policy does not set limits for foreign investments in this asset class. Up to 20% of the Plans' non-core opportunistic commercial real estate allocation may be invested in international investments.

In addition, NHRS manages its foreign currency risk exposure by requiring that the international securities investment managers maintain diversified portfolios by country, sector and by issuer to limit both foreign currency risk and security risk. International investment managers may also use foreign currency forward contracts to hedge against foreign currency risk.

The Plans' exposure to foreign currency risk at June 30, 2007 and 2006 is presented on the schedules appearing on the next page.

 CLICK HERE TO RETURN TO TABLE OF CONTENTS

FOREIGN CURRENCY RISK — INTERNATIONAL INVESTMENTS AS OF JUNE 30, 2007

(in thousands)

Currency	Equity	Fixed Income	Alternative Investments	Cash and Cash Equivalents	Totals
Marketable Investments:					
Euro	$164,256	$ 22,979	$ —	$ —	$ 187,235
Japanese yen	193,961	—	4,668	—	198,629
British pound sterling	114,147	15,249	89	—	129,485
Canadian dollar	27,260	27,062	—	2,206	56,528
Australian dollar	28,493	21,199	6,465	—	56,157
Hong Kong dollar	55,282	—	—	85	55,367
Swiss franc	44,879	—	—	—	44,879
Singapore dollar	4,457	16,298	—	—	20,755
Mexican peso	11,010	13,242	—	383	24,635
Polish zloty	—	14,288	—	—	14,288
New Zealand dollar	—	12,897	—	—	12,897
Swedish krona	16,794	8,618	—	—	25,412
South Korean won	7,487	591	—	—	8,078
Danish krone	12,191	—	—	—	12,191
Norwegian krone	14,355	—	—	—	14,355
Thai baht	—	1,554	—	(3)	1,551
Brazilian real	6,794	10,884	—	—	17,678
Argentine peso	—	—	—	22	22
Indonesian rupiah	—	7,171	—	—	7,171
Malaysian ringgit	—	9,706	—	—	9,706
South African rand	901	10,576	—	—	11,477
Total investments subject to foreign currency risk	**702,267**	**192,314**	**11,222**	**2,693**	**908,496**
United States dollars (securities held by international investment managers)	254,432	19,461	—	—	273,893
Total International Investments	**$956,699**	**$211,775**	**$11,222**	**$2,693**	**$1,182,389**

FOREIGN CURRENCY RISK — INTERNATIONAL INVESTMENTS AT JUNE 30, 2006

(in thousands)

Currency	Equity	Fixed Income	Alternative Investments	Cash and Cash Equivalents	Totals
Marketable Investments:					
Japanese yen	$200,792	—	$ 2,499	—	$203,292
Euro	122,334	$ 21,353	—	—	143,687
British pound sterling	80,854	9,498	405	—	90,757
Australian dollar	23,566	19,225	12,004	—	54,795
Canadian dollar	20,894	23,646	—	$10,164	54,703
New Zealand dollar	—	10,816	31,571	41	42,428
Swiss franc	34,256	—	—	—	34,256
Hong Kong dollar	33,130	—	—	41	33,171
Swedish krona	10,972	14,238	—	—	25,210
Mexican peso	4,596	11,811	—	511	16,918
Singapore dollar	—	15,928	—	—	15,928
Polish zloty	—	12,924	—	734	13,658
South Korean won	12,687	577	—	—	13,264
Danish krone	11,212	—	—	—	11,212
Brazilian real	4,176	6,389	—	—	10,565
Norwegian krone	9,206	—	—	—	9,206
Indonesian rupiah	—	4,676	—	—	4,676
Thai baht	—	4,464	—	—	4,464
South African rand	1,798	1,935	—	—	3,733
Malaysian ringgit	—	3,713	—	—	3,713
Argentine peso	—	734	—	12	746
Hungarian forint	620	—	—	—	620
Total investments subject to foreign currency risk	**571,093**	**161,927**	**46,479**	**11,503**	**791,002**
United States dollars (securities held by international investment managers)	81,299	16,650	—	1,339	99,288
Total International Investments	**$652,392**	**$178,577**	**$46,479**	**$12,842**	**$890,290**

CLICK HERE TO RETURN TO TABLE OF CONTENTS

DERIVATIVES

Derivative instruments are contracts whose value depends on the value of an underlying asset, reference rate or index. Derivatives include futures contracts, forward contracts, options contracts, forward foreign currency exchanges, asset-backed securities and mortgage-backed securities. NHRS enters into certain derivative instruments primarily to enhance the performance and reduce the volatility of its portfolio. NHRS's investment policy has pre-established thresholds to limit the risk exposure on these investments. The use of derivatives is permitted for defensive purposes only and any speculative hedging or leveraging of the portfolios is prohibited.

Investments in mortgage-backed securities are reported at fair value and are used to diversify risk. These investments are managed to closely match the weighting of the mortgage-backed position of the Plans' funds within the Lehman Brothers Universal Bond Index for fixed income securities. Mortgage-backed securities are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees. As of June 30, 2007 and June 30, 2006, the Plans' investment in non-leveraged mortgage-backed securities totaled $188.2 million (3.2%) and $148.2 million (2.9%) of total investments, respectively.

NHRS may use futures, options, and currency forward contracts in order to manage current risk of global investments. The Plans could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. To mitigate this risk, invesments are executed through large money center banks with credit rating standards. The fair value of open currency forward contracts including unrealized appreciation or depreciation is recorded on the Statements of Net Plan Assets as Due from Brokers for Securities Sold and as Due to Brokers for Securities Purchased.

Foreign currency exchange contracts open at June 30, 2007 and June 30, 2006 are shown below.

OPEN FOREIGN CURRENCY EXCHANGE CONTRACTS AT JUNE 30, 2007 (in thousands)

	Fair Value	Aggregate Cost Value	Delivery Dates	Unrealized Appreciation	Unrealized (Depreciation)
Foreign currency exchange contracts purchased:					
Japanese Yen	$25,367	$25,920	10/18/07	$ —	($ 553)
British pound sterling	810	801	7/30/07–08/17/07	9	—
Danish krone	190	190	7/02/07–07/03/07	—	—
New Zealand dollar	2	2	07/10/07	—	—
Foreign currency exchange contracts sold:					
Euro	$23,962	$23,781	07/02/07–08/30/07	—	($ 181)
British pound sterling	14,216	13,623	08/17/08	—	(593)
Mexican peso	14,026	14,041	07/30/07–12/06/07	15	—
Japanese yen	2,824	2,835	07/03/07–07/05/07	11	—
Totals				**$ 35**	**($1,327)**

CLICK HERE TO RETURN TO TABLE OF CONTENTS

OPEN FOREIGN CURRENCY EXCHANGE CONTRACTS AT JUNE 30, 2006 (in thousands)

	Fair Value	Aggregate Cost Value	Delivery Dates	Unrealized Appreci-ation	Unrealized (Depreci-ation)
Foreign currency exchange contracts purchased:					
Japanese Yen	$64,337	$63,598	07/3/06–07/21/06	$ 739	—
Thai Baht	2,859	2,900	09/27/06	—	(41)
Australian dollar	282	280	08/25/06	2	—
Foreign currency exchange contracts sold:					
Euro	$37,855	$36,311	07/03/06–10/04/06	—	($1,544)
Australian Dollar	19,331	19,658	08/25/06	327	—
Mexican Peso	8,445	8,483	12/06/06	38	—
British Pound Sterling	7,257	7,300	12/05/06	43	—
New Zealand Dollar	5,482	5,591	08/25/06	109	—
Totals				**$1,258**	**($1,585)**

SECURITIES LENDING

NHRS has a Securities Lending agreement with its master custodian. In accordance with this agreement the Plans participate in a domestic and international equity securities lending program administered by the custodian. In management's opinion, the custodian is in full compliance with the contractual provisions of this agreement. The Plans receive a fee based on the fair value of the loaned securities. During the duration of the loan, the Plans receive dividends and coupon payments equivalent to amounts that would be received had the securities not been loaned.

Collateral loaned for securities may include U.S. and non U.S. currencies, Organization for Economic Cooperation and Development (OECD) government securities, equities, irrevocable letters of credit, approved certificates of deposits and approved corporate debt securities. U.S. securities are loaned in consideration of collateral valued at 102.0% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned against collateral valued at 105.0% of the fair value of the securities plus any accrued interest, except that fixed income securities can be loaned against same currency collateral at 102% plus any accrued interest. The actual collateral value was equal to 102.1% for U.S. securities and 104.8% for non-U.S. securities at June 30, 2007 and 101.7% for U.S. securities and 103.7% for non-U.S. securities at June 30, 2006. Collateral is marked-to-market daily. If the fair value of the collateral falls below the minimum collateral requirements, additional collateral is provided by the participating borrower subject to established minimum thresholds. The weighted average maturity of the collateral investment pool was 46 days as of June 30, 2007.

The Plans are indemnified by the custodian in the event a borrower does not return loaned securities due to the insolvency of the borrower and the custodian has failed to live up to its contractual responsibilities. The custodian's responsibilities, as a lending agent, include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

The fair value of securities on loan, the collateral held, and the security lending income as of June 30, 2007 and June 30, 2006 are presented below.

SECURITIES LENDING ACTIVITIES ($ in millions)

	2007	2006
Fair Value of U.S. and Non-U.S. Securities on Loan	$862.7	$1,022.8
Collateral Held Against U.S. and Non-U.S. Securities	$886.8	$1,047.2
Ratio of Collateral held to Loan Securities	102.8%	102.4%
Net Income From Securities Lending Program	$2.269	$ 2.346

The Plans did not incur any losses on loaned securities for the fiscal years ended June 30, 2007 and June 30, 2006. Credit risk on loaned securities is managed by restricting loans to parties on the custodian's approved list and by following established outstanding credit limits for each borrower, as set by the custodian. Due to the nature of the program's collateralization of all loans at 102.0% or 105.0%, plus accrued interest, management believes that credit risk is mitigated since the Plans owe borrowers more than borrowers owe the Plans.

Loaned securities are included in the Statement of Plan Net Assets since ownership is maintained. For loans collateralized by cash, the value of the collateral is recorded as a liability offsetting the cash collateral recorded as an asset. The cash collateral for U.S. and non-U.S. securities as of June 30, 2007 and June 30, 2006 were $804.3 million and $829.7 million, respectively. For loans having collateral other than cash, the related collateral securities are not recorded as assets in the Statement of Plan Net Assets, and a corresponding liability is not recorded, since the Plans cannot pledge or sell the collateral securities, except in the event of a borrower's default. The Plans do not use reverse repurchase agreements.

NOTE 4—FUNDING PROGRESS

OPEB PLANS

The funding status of the OPEB Plans as of the most recent actuarial valuation date is as follows (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
Group II — Police Officers & Firefighters						
06/30/07	$109,475	$248,080	$138,605	44.1%	$330,713	41.9%
Group I — Teachers						
06/30/07	$ 19,880	$236,049	$216,169	8.4%	$922,308	23.4%
Group I — Political Subdivision Employees						
06/30/07	$ 41,845	$ 58,857	$ 17,012	71.1%	$507,311	3.4%
Group I — State Employees						
06/30/07	($ 14,223)	$ 95,425	$109,648	0.0%	$435,007	25.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and pension and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress reflects only results for fiscal year 2007 as that was the first year for which an actuarial valuation of OPEB Plans was prepared.

The Schedule of Employer Contributions provided in required supplementary information presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows, applicable for each of the four OPEB plans:

 CLICK HERE TO RETURN TO TABLE OF CONTENTS

Valuation Date	06/30/2007
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Equivalent single amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.5%
Projected salary increases*	4.5% to 16.25%
**Includes Price Inflation at*	3.5%.
Rate of Payroll Growth	4.50%
Valuation Health Care Trend Rate	N/A — The OPEB Plans provide a specific dollar subsidy to be used for health care. The subsidy increased 8.0% for fiscal year 2007 by statute. Effective on July 1, 2008, the annual increase will be 0.0% for four years, until the annual escalation will resume at a 4% rate effective on July 1, 2012.

NOTE 5—SIGNIFICANT CHANGES IN ACTUARIAL ASSUMPTIONS AND BENEFIT PROVISIONS OCCURRING SINCE THE JUNE 30, 2005 ACTUARIAL VALUATION

Changes in actuarial assumptions for fiscal year 2007:

Actuarial valuations are performed biannually. The following changes have been incorporated into the June 30, 2007 actuarial valuation:

(a) The June 30, 2007 actuarial valuation has been completed by a new actuary resulting in minor changes in computation methods.

(b) The wage inflation assumption has been explicitly set at 4.5%. The remaining merit and longevity salary scale assumptions for each group have been reduced by 0.5%, so long as the combined increase (merit and longevity plus wage inflation) was not less than 4.5%.

(c) The assumption that all Group II retirees will have a 50% spousal allowance paid has been changed to reflect actual experience and reported data.

(d) The assumption that all retirees retire at mid-year has been changed for the Teacher group only to reflect that all Teachers are assumed to retire at the beginning of each fiscal year.

(e) Normal cost has been loaded to account for administrative expenses paid directly out of the Plans.

(f) The funding value of assets method was changed to a method that does not rely on the book value.

The changes above are expected to increase employer contribution rates by 0.09% for Employees, 0.40% for Teachers and decrease employer contribution rates for Police Officers and Firefighters by 0.33% and 0.92%, respectively.

Legislation was enacted in the 2007 legislative session which:

(a) Establishes that the maximum retirement benefit granted under RSA 100-A:5 or RSA 100-A:6 shall not exceed 100 percent of the member's highest year of earnable compensation.

(b) Adds one person representing management in local government to the System's Board of Trustees.

(c) Establishes that seven trustees constitute a quorum for the transaction of any business and that the Board chairman shall be a non-voting member except in the event of a tie vote.

(d) Changes the actuarial funding methodology from open group aggregate to entry age normal.

(e) Changes the amortization period for the unfunded accrued liability from 20 years to 30 years or the maximum period allowed by the Governmental Accounting Standards Board.

(f) Restricts any assets from being transferred to the Special Account until such time as the actuary determines that the funded ratio of the Plans as of June 30 of any given year is equal to or greater than 85%. Upon achievement of the 85% funded ratio, only returns in excess of 10 and one half percent will be allocated to the Special Account. Because the funded ratio was not determined to be equal to or greater than 85% by the actuary no money was allocated to the Special Account for FY 2007.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

(g) Removes a provision in RSA 100-A16 II(h) that restricted the granting of additional benefits, other than COLA's, from being funded by Special Account assets unless there were reserves in the Special Account sufficient to pay for three years of COLA's at 5.0% per year.

(h) Establishes that effective July 1, 2008, and as calculated each year thereafter, the annual employer contribution requirements shall not be less than the employee contribution rates specified under RAS 100-A-16, I(a).

(i) Provided a 2.25% COLA for Employees, Teachers, Police Officers and Firefighters who retired prior to July 1, 2006, effective July 1, 2007.

(j) Established a commission to make recommendations to ensure the long-term viability of the Plans.

(k) Repealed the option to purchase nonqualified service credit in the Pension Plan.

Item (i) will have no effect on the normal rate determined using the entry age normal funding method because, as required by the legislation, the costs are terminally funded from the Special Account a cost of $66.6 million. Items (d) and (e) will increase the computed employer contribution rate by 1.58% for Employees, 1.56% for Teachers, 2.26% for Police Officers and 4.12% for Firefighters. Items (a), (b), (c), (g), (h), (j) and (k) will have no immediate effect on the normal contribution rate.

Changes in actuarial assumptions for fiscal year 2006:

There have been no changes in actuarial assumptions since the prior actuarial valuation was performed as of June 30, 2005.

Legislation was enacted in the 2006 legislation session which:

(a) Requires employers to maintain and make available upon request proof of appropriate certification by the Department of Education or appropriate professional licensure for all individuals enrolled as "teacher members."

(b) Makes various "housekeeping" changes to RSA 100-A including modifications to the definitions of "Employer," "Prior Service" and "Accumulated Contributions," deleting the gainful occupation reporting requirement for disabled call, substitute and volunteer firemen, deleting an obsolete section regarding permitted earnings for certain retirees, and clarifying provisions regarding creditable service, the medical subsidy and financing.

(c) Simplifies determination of benefits upon retirement after restoration to service, adds direct rollover provisions required by the Internal Revenue Code, conforms statute to practice and long-standing policy regarding COLAs, eliminates Board of Trustees subcommittees and provisions regarding the former position of director of finance, clarifies the opt-out election and service for medical subsidy eligibility under modifications, harmonizes provisions regarding interest, clarifies criteria for required membership, and permits certain active members to purchase up to 5 years of nonqualified permissive service credit.

(d) Amends the definition of "public academy."

(e) Deals with the administration of the hospitalization plan for state retirees.

In addition the fiscal committee, in accordance with RSA 100-A:41-a, II approved the following cost-of-living adjustments (COLAs):

(f) Provides a 1.0% COLA for Employees, Teachers, Police Officers and Firefighters who retired prior to July 1, 2005, effective July 1, 2006.

Item (f) will have no effect on the normal rate determined using the open group aggregate funding method because, as required by the legislation, the costs are terminally funded from the Special Account at a cost of $26.9 million. Items (a), (b), (c), (d) and (e) will have no effect on the normal rate.

NOTE 6—CONTRIBUTIONS AND RESERVES

PENSION PLAN

As a condition of participation, members are required to contribute a set percentage of their salary to the Pension Plan. The percentage rates, as outlined below, are set by statute under RSA 100-A:16 and depend on the member's group affiliation.

RSA 100-A:16 outlines the employer contributions made to the Pension Plan. Employer contributions to the Pension Plan since fiscal year 1992 have been determined on an actuarial basis using the open group aggregate cost method. The results from the open group aggregate cost method are based on a 9% interest rate for fiscal years prior to July 1, 2007 and an 8.5% interest rate for fiscal years beginning on or after July 1, 2007. The results from the open group aggregate cost method for fiscal years beginning on or after July 1, 2003 and ending June 30, 2005 cannot be less than the normal rate determined to produce a funding ratio of 115% over a 20 year period and an 8% interest rate. The results from the open group aggregate cost method for fiscal years beginning on or after July 1, 2005 cannot be less than the normal rate determined to produce a funding ratio of 115% over a 30 year period and an 8% interest rate.

The State funds 100% of the employer normal costs for all State employees, and 35% of the employer normal costs for teachers, police officers, and firefighters employed by political subdivisions. The State does not participate in funding the employer cost of other political subdivision employees. The funding strategy for normal cost should provide sufficient resources to pay employee pension benefits on a timely basis.

The annual covered payroll for the year ended June 30, 2007 is $2,195.3 million and the annual covered payroll for the fiscal year ended June 30, 2006 was $2,141.0 million.

The table following shows the percentages of gross payroll contributed by the State, other contributing employers, and members.

PERCENT OF COVERED PAYROLL FOR RETIREMENT BENEFITS

Member Category	(FY 2007) Member Normal Share	Employer Normal Share# State	Local	Total	(FY 2006) Member Normal Share	Employer Normal Share# State	Local	Total
Employees								
State	5.00%	6.81%	—	6.81%	5.00%	6.81%	—	6.81%
Local	5.00%	—	6.81%	6.81%	5.00%	—	6.81%	6.81%
Teachers	5.00%	2.00%	3.70%	5.70%	5.00%	2.00%	3.70%	5.70%
Police Officers	9.30%	5.22%	9.68%	14.90%	9.30%	5.22%	9.68%	14.90%
Firefighters	9.30%	7.73%	14.36%	22.09%	9.30%	7.73%	14.36%	22.09%

The following tables show the amounts contributed by participating employers and members and these contributions expressed as a percentage of the respective covered payrolls.

AMOUNTS CONTRIBUTED*

(in thousands)

Member Category	(FY 2007) Member Normal Share##	Employer Normal Share#	Total Contributions	(FY 2006) Member Normal Share	Employer Normal Share#	Total Contributions
Employees	$102,562	$ 66,534	$169,096	$ 58,476	$ 62,204	$120,680
Teachers	101,570	53,626	155,196	58,978	51,521	110,499
Police Officers	52,021	36,060	88,081	21,691	34,875	56,566
Firefighters	16,216	22,419	38,635	8,676	22,221	30,897
Total Contributed	**$272,369**	**$178,639**	**$451,008**	**$147,821**	**$170,821**	**$318,642**

* Includes contributions made both by State and local employers and payments made on behalf of the employers.

Employer normal contributions include $58,201 and $61,449 for the years ended June 30, 2007 and 2006, respectively, that were transferred from the Special Account to the Pension Plan.

Includes voluntary member contributions of $147.0 million in FY 2007 and $31.3 million in FY 2006. The large increase for fiscal year 2007 was attributable to the non-qualified service purchase program.

AMOUNTS CONTRIBUTED EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL

Member Category	(FY 2007) Member Normal Share*	Employer Normal Share	Total	(FY 2006) Member Normal Share*	Employer Normal Share	Total
Employees	10.83%	7.06%	17.94%	6.30%	6.70%	13.00
Teachers	11.01%	5.81%	16.82%	6.66%	5.81%	12.47
Police Officers	22.29%	15.45%	37.74%	9.42%	15.14%	24.56
Firefighters	16.66%	23.03%	39.69%	9.03%	23.13%	32.16
Total Contributed	**12.41%**	8.14%	**20.55%**	**6.90%**	**7.98%**	**14.88**

*Includes voluntary member contributions of $147.0 million in FY 2007 and $31.3 million in FY 2006.

The computation of the forecasted employer pension contribution rates effective for fiscal years 2007 and 2006 was performed as part of the interim June 30, 2004 actuarial valuation of the Pension Plan and was based on the open group aggregate method and a 9% interest assumption for fiscal years prior to July 1, 2007. As a matter of practice, actual contribution rates are determined by the previous valuation. Using the forecast rates delays implementation of the rates proposed by the actuary until the beginning of the subsequent biennium, allowing employers to budget for changes in employer rates. The employer normal contribution rates for the 2008 and 2007 fiscal years were based on the June 30, 2005 actuarial valuation.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

A reconciliation of the normal rates determined in the June 30, 2005 valuation based on the target funding method to the normal rates determined in the June 30, 2007 valuation based on the entry age normal funding method is shown below. This reconciliation outlines the effects on the normal contribution rates of the changes in Pension Plan benefits and actuarial assumptions that have occurred since the June 30, 2005 actuarial valuation.

Reconciliation of the Actuarial Projected Employer Normal Contribution Rates

	Employees	Teachers	Police Officers	Firefighters
Employer Normal Rates as Determined by 6/30/2005 Valuation#	8.74%	8.93%	18.21%	24.49%
Asset (Gain)/Loss	(0.36)	(0.46)	(0.90)	(1.05)
Assumption Changes	0.41	0.80	0.31	0.21
Method Change	0.98	0.82	1.11	2.48
Effect of Legislation (see Note 10)	(0.57)	(0.72)	(2.17)	(2.61)
Other (Gains)/Losses	(0.11)	0.01	0.78	(1.00)
Employer Normal Rates as Determined by 6/30/2007 Valuation#	9.09%	9.38%	17.34%	22.52%

\# Based on an 8.5% interest rate.

The following table provides a breakdown of net assets held in trust for benefits:

NET ASSETS HELD IN TRUST FOR BENEFITS (in thousands)

	JUNE 30 2007	2006
Pension		
Employees	$1,673,775	$1,375,070
Teachers	2,113,603	1,777,053
Police Officers	995,510	818,165
Firefighters	461,223	383,270
Special Account	551,494	620,912
Subtotal Pension	**5,795,605**	**4,974,470**
OPEB Plans		
Group II Police Officers & Firefighters	121,178	100,101
Group I Teachers	21,531	18,274
Group I Political Subdivision Employees	44,844	33,245
Group I State Employees	(15,242)	(13,833)
Subtotal OPEB Plans	**172,311**	**137,787**
TOTAL NET ASSETS HELD IN TRUST FOR BENEFITS	**$5,967,916**	**$5,112,256**

OPEB PLANS

In accordance with RSA 100-A:53, RSA 100-A:53-b, RSA 100-A:53-c and RSA 100-A:53-d, benefits are provided by a 401(h) subtrust of the Pension Plan. The OPEB Plans are funded by allocating 33⅓% of all employer contributions made in accordance with RSA 100-A:16 to the 401(h) subtrust until such time as benefits are fully funded. Once benefits are fully funded, the subtrust is to receive only that portion of each year's employer contributions as is necessary to keep the benefits funded.

The State funds 100% of the employer normal costs for all State employees and 35% of the employer normal costs for teachers, police officers and firefighters employed by political subdivisions. The State does not participate in funding the employer cost of other political subdivision employees.

The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plans. Administrative costs are allocated to the OPEB Plans based on fund balances.

 CLICK HERE TO RETURN TO TABLE OF CONTENTS

SPECIAL ACCOUNT

RSA 100-A:16, II(h) provides for a Special Account to fund or partially fund additional benefits as follows: first, to provide supplemental allowances, or cost-of-living adjustments (COLAs), pursuant to RSA 100-A:41-a and, second, to the extent that funds may be available in the Special Account to provide additional benefits to retired members and beneficiaries of the Pension Plan with the specific approval of the appropriate legislative policy committees and approval of the general court.

Prior to July 1, 2003, the Special Account was subdivided into four components representing the retirement system member classifications as defined in RSA 100-A:1. Effective July 1, 2003, the Special Account was further subdivided proportionally between employees of the State and employees of political subdivisions based upon the actuarial liabilities of the member and retiree groups.

The Special Account is credited annually with all of the earnings on an actuarial basis of the Special Account assets plus the earnings of the remaining assets of the Pension Plan in excess of the assumed rate of return plus 1/2 of 1%. The Board of Trustees set the rate of return on assets at 8.5% for the years ended June 30, 2007 and 2006. Therefore, earnings in excess of 9.0%, if any, would have been credited to the Special Account. However, legislation was enacted during fiscal year 2007 that restricts any funds from being credited to the Special Account until the funded ratio of the Plans as of June 30th of any given year is equal to or greater than 85%. Therefore, no funds were transferred to the Special Account for fiscal year 2007.

As of June 30, 2007, the balance of the Special Account was $551.5 million. The comparable figure for June 30, 2006 was $620.9 million. Legislation costing $66.6 million that was enacted during the 2007 legislative session, with an effective date after June 30, 2007, will be terminally funded from assets in the Special Account. The assets held in the Special Account are not used in the actuarial determination of the normal contribution rate and by statute shall only be used to fund or partially fund additional benefits for members of the Pension Plan.

NOTE 7 — ADMINISTRATIVE EXPENSES

Certain expenses related to the administration of the Plans are budgeted and approved by the Board of Trustees, and are subject to appropriation biennially by the State Legislature. Administrative expenses are included in the accompanying financial statements.

Administrative expenses consist primarily of salaries and benefits for 60 full-time and part-time employees and the costs associated with operating and maintaining computer systems.

NOTE 8 — ADOPTION OF NEW ACCOUNTING STANDARDS AND RELATED DISCLOSURES

Effective July 1, 2006, NHRS adopted the provisions of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Concurrent with the adoption of GASB 43, NHRS undertook a comprehensive regulatory review of its compliance with both federal and state laws and regulations. The results of those reviews and their collective impact on the financial statements are discussed below.

In January and March 2008, NHRS received opinions from its legal counsel on the interpretation of certain New Hampshire Revised Statutes Annotated (RSA) that determined that NHRS is administering multiple OPEB Plans within the meaning of GASB Statement 43 for accounting and financial reporting purposes.

Accordingly, the 2007 financial statements reflect four (4) separate OPEB Plans for Group II Police Officers and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees. Previously, NHRS presented its OPEB plans as one combined plan. The table on the next page details the reclassified beginning of the year net assets for the adoption of GASB Statement 43.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

	Net Assets (as previously reported)	Determination of multiple OPEB Plans	Net Assets at Adoption of GASB 43
Pension Plan	$4,666,396	$ —	$4,666,396
Combined OPEB Plans	445,860	(445,860)	—
Group II Police Officer & Firefighter OPEB Plan	—	254,899	254,899
Group I Teacher OPEB Plan	—	102,008	102,008
Group I Political Subdivision Employees OPEB Plan	—	63,464	63,464
Group I State Employees OPEB Plan	—	25,489	25,489
Total as of June, 30, 2006	**$5,112,256**	**$ —**	**$5,112,256**

In the course of restructuring the accounting in accordance with GASB 43, it became apparent that the State Employees OPEB Plan has operated in a deficit status since its January 1, 2002 effective date under RSA 100-A:52-b and 53-d. It was discovered that for each year since its inception, the State Employees OPEB Plan, which began operations with no fund reserves, had paid medical subsidies in excess of the amount of contributions received from the State and four other employers associated with the State, including NHRS. As a result, the gap between contributions paid to and subsidies paid from the State Employees OPEB Plan was financed by draws against the assets of the Political Subdivision Employees OPEB Plan. This occurred because under pre-GASB 43 financial reporting, the State plan had been combined with the Political Subdivision plan as one Employee Group plan and that accounting treatment did not highlight the deficit fund balance in the State Employees OPEB Plan.

The 2007 financial statements reflect the Group I State Employees OPEB Plan's obligation to the Group I Political Subdivision Employees OPEB Plan of approximately $15.2 million. The recording of such an obligation in the Group I State Employees OPEB Plan has resulted in a net deficit in that plan. NHRS is engaged in discussions with the State and the other employers to resolve the deficit situation.

Concurrent with the adoption of GASB 43, NHRS undertook a comprehensive regulatory review of the administration and operation of the OPEB Plans. An external law firm specializing in Internal Revenue Code (IRC) compliance matters identified the following observations and made recommendations that were adopted by the Board:

- Seek Internal Revenue Service (IRS) approval to correct a series of transfers from Pension Plan assets totaling $26.4 million that were made into the Group II Police Officers and Firefighters OPEB Plan that occurred from fiscal years 1990 through 2000. This correction will be made by participating in the IRS's Voluntary Compliance Program (VCP). NHRS is precluded from making any provisions to correct these transfers until such time as the IRS approves the VCP filing and issues its determination letter.
- Seek ratification by corrective state legislation for the 33-1/3% employer contributions that were made into the OPEB Plans during the fiscal years 2001 through 2007, and to prospectively abide by the 25% statutory limitation on employer contributions. Corrective state legislation was obtained with the passing of HB 1645 on June 30, 2008.
- Eliminate the Medical Special Account and revert the remaining balance totaling approximately $295.4 million as of June 30, 2007, back into the Special Account. Consequently, NHRS will stop reimbursing employer pension contributions that are allocated to the OPEB Plans and the reporting of the Medical Special Account as assets available for OPEB benefits will be eliminated. The Plans' 2007 financial statements reflect the reclassification of the Medical Special Account to the Special Account in the accompanying Statement of Changes in Plan Net Assets as a current year net asset transfer.
- Establish the appropriate subtrusts in the 401(h) account and reconstruct the accounting for those subtrusts to assure proper accounting treatment.

In April 2008, NHRS took the following two related actions:

First, made a filing with the IRS as part of the IRS's Voluntary Correction Program to seek approval of NHRS's corrective action plan.

Second, sought a favorable tax determination letter from the IRS consistent with Cycle C Government Plan filings due on or before January 31, 2009.

No provisions are reflected in the accompanying financial statements for any adverse IRS determination.

NOTE 9 — CONTINGENT MATTERS

As a result of the legal and regulatory reviews and the corrective action plan adopted by the Board of Trustees and filed with the IRS, NHRS has received legal claims by affected parties that seek to undo corrective actions taken by the New Hampshire Legislature. Specifically, those claims seek to require NHRS to reinstate the reimbursement of employer pension contributions from the Medical Special Account. NHRS will continue to administer and operate the OPEB Plans in compliance with both federal and state laws and regulations. NHRS can not predict the outcome of these legal claims and, accordingly, no provisions have been made in the 2007 financial statements for such contingencies.

NOTE 10 — SUBSEQUENT EVENTS

HB 1645 was enacted during the 2008 legislative session. This legislation makes significant changes to current plan provisions which are summarized below.

- Non-vested employees who leave employment may leave their money in the Pension Plan and continue to earn the lesser of 2% below the Plan's assumed rate of return or 2% below the actual rate of return on their funds provided the rate of return shall not be less than zero.
- After July 1, 2007, the 8% annual escalation increase in medical subsidy payments was frozen at 0% for four years, through and including July 1, 2011. The annual escalation increase will resume at a 4% rate effective July 1, 2012.
- Effective no later than June 30, 2008, $250 million will be transferred from the Special Account reserve to the general account that funds the Pension Plan's annual annuity payments.
- On July 1, 2008, retirees or beneficiaries will receive a 1.5% increase added to their base pension for the first $30,000 of their pension amount. In addition, 3 additional lump sum temporary supplemental allowances were provided:
    1. Only for the fiscal year beginning July 1, 2008 - a supplemental allowance of $1,000 for any retired member who has been retired at least 12 months whose annual retirement is based on at least 15 years of service and is $20,000 or less;
    2. Only for the fiscal year beginning July 1, 2008 - a supplemental allowance of $500 for any retired member who retired prior to January 1, 1993 or any beneficiary of such member;
    3. For the fiscal years beginning July 1, 2008 up to and including the fiscal year beginning July 1, 2011 – a temporary supplemental allowance of $500 for retirees taking a one-person medical benefit and $1,000 for retirees taking a 2-person medical benefit. Provided, however, that once a recipient is entitled to Medicare, the additional allowance shall be reduced to 60 percent of the non-Medicare eligible retiree amounts.

  The 1.5% increase and the additional lump sum temporary allowances will be provided to the extent funds are available in each member classification component of the Special Account.
- Effective beginning July 1, 2009, employer contributions to the OPEB Plans will be the lesser of 25% of the employers' contribution to the Pension Fund or the actuarial rate determined by the actuary to be the minimum amount necessary to maintain the benefits provided by statute.
- Establishes a Retiree Health Care Benefits Funding Commission to propose a future retiree health care benefits model and a Cost of Living Adjustment (COLA) Study Commission to examine the feasibility of authorizing future COLAs for retirees at different rates to or within each subgroup within the Special Account.
- Requires new or reappointed members of the Board of Trustees to have finance or business management experience and also requires two non-member trustees to have substantial experience in the field of institutional investment or finance. Establishes voting status for the Board Chairperson in any Board action or resolution. Authorizes the Audit Committee to engage the services of an independent auditor, and to conduct performance audits.
- Establishes an additional employer contribution in instances where a member's pension benefits are greater than 125% of the member's base pay. The employer is not restricted from making larger end-of-career compensation arrangements such as increased overtime, vacation or severance pay; however, the amendment makes the employer directly responsible for the excess pension to the extent it is greater than 125% of the member's base pay.

The provisions of HB 1645 are reflected in the June 30, 2007 actuarial valuation. These changes will decrease the fiscal year 2010 and 2011 employer contribution rates for pension benefits by 0.57% for Employees, 0.72% for Teachers, 2.17% for Police Officers and 2.61% for Firefighters.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS — PENSION PLAN

(in thousands)

Fiscal Year Ended	Actuarial Value of Asets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UALL) (b–a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL Percentage of Covered Payroll ([b–a]/c)
6/30/2007	$4,862,256	$7,259,715	$2,397,459	67.0%	$2,195,339	109.2%

Legislation was enacted during fiscal year 2007 that changed the actuarial cost method used to determine the annual required employer contributions to the entry age normal method. The actuarial cost method used for fiscal year 2006 and prior years was the open group aggregate cost method. The different methodology used for fiscal year 2006 and prior years does not provide for a consistent year-to-year measure. In future years, funding progress using the entry age normal cost method will be added prospectively.

The actuarial assumptions for the Schedule of Funding Progress for the Pension Plan are the same as for the OPEB Plans, which are described in Note 4.

SCHEDULE OF EMPLOYER CONTRIBUTIONS — PENSION PLAN

Fiscal Year	Classification	Annual Required Contribution (ARC)* (in thousands)	Percent of ARC Recognized as Contributions
2007	Employees	$66,083	100.00%
	Teachers	53,498	100.00%
	Police Officers	36,057	100.00%
	Firefighters	22,415	100.00%
2006	Employees	62,041	100.00%
	Teachers	51,459	100.00%
	Police Officers	34,860	100.00%
	Firefighters	22,218	100.00%
2005	Employees	51,028	100.00%
	Teachers	36,027	100.00%
	Police Officers	26,542	100.00%
	Firefighters	19,157	100.00%
2004	Employees	48,222	100.00%
	Teachers	32,563	100.00%
	Police Officers	24,609	100.00%
	Firefighters	17,966	100.00%
2003	Employees	32,413	100.00%
	Teachers	31,032	100.00%
	Police Officers	16,454	100.00%
	Firefighters	8,359	100.00%
2002	Employees	29,703	100.00%
	Teachers	29,122	100.00%
	Police Officers	15,569	100.00%
	Firefighters	7,730	100.00%

*Includes unfunded accrued liability contributions and amounts transferred from the Special Account to the Pension Plan, excludes oversight contributions.

See Notes to Required Supplementary Information below.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (PENSION PLAN TREND DATA)

The Schedule of Employer Contributions shown above was based on the following information:

Valuation Date:
Schedule of Employer Contributions—FY 2007 . . . . .June 30, 2005.
Actuarial Cost Method: . . . . .Open group aggregate. The open group aggregate funding method does not identify or separately amortize unfunded actuarial liabilities. For purposes of determining contributions for fiscal years 2003 and prior, the results of the open group aggregate method cannot be less than the normal rates required to maintain a funded ratio of 130% over a 20 year horizon and an 8% interest rate. For pur-

poses of determining contributions for fiscal years 2005 and 2006, the results of the open group aggregate method cannot be less than normal rates required to maintain a funded ration of 115% over a 20 year horizon and an 8% interest rate.

Asset Valuation Method: . . . . .5 year moving average.

Actuarial Assumptions:

Investment Rate of Return . . . . .8.5% (Includes inflation at 3.5%).

Projected Salary Increases . . . . .Graded scale equates to an annual average of 6% (Includes inflation at 3.5%).

Cost of Living Adjustments . . . . .None.

SCHEDULE OF FUNDING PROGRESS — OPEB PLANS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
Group II — Police Officers & Firefighters						
06/30/07	$109,475	$248,080	$138,605	44.1%	$330,713	41.9%
Group I — Teachers						
06/30/07	$ 19,880	$236,049	$216,169	8.4%	$922,308	23.4%
Group I — Political Subdivision Employees						
06/30/07	$ 41,845	$ 58,857	$ 17,012	71.1%	$507,311	3.4%
Group I — State Employees						
06/30/07	($ 14,223)	$ 95,425	$109,648	0.0%	$435,007	25.2%

The schedule of funding progress presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress reflects only results for fiscal year 2007 as that was the first year for which an actuarial valuation of OPEB Plans was prepared.

SCHEDULE OF EMPLOYER CONTRIBUTIONS — OPEB PLANS

Fiscal Year	Classification	Annual Contribution (ARC)* (in thousands)	Percent of ARC Recognized as Contributions
2007	Group II Police Officers & Firefighters	$18,078	100%
	Group I Teachers	17,791	100%
	Group I Political Subdivision Employees	11,858	100%
	Group I State Employees	10,474	100%

*The plans are funded by allocating 33⅓% of all employer contributions made in accordance with RSA 100-A:16 to the OPEB Plans until such time as benefits are fully funded. The State funds 100% of the employer normal costs for all State employees and 35% of the employer normal costs for teachers, police officers, and firefighters employed by political subdivisions. The State does not participate in funding the employer cost of other political subdivision employees.

In 2007 and prior years, the Medical Special Account reimbursed the Pension Trust in an amount equal to the funds allocated to the OPEB Plans.

Legislation was enacted during fiscal year 2007 that changed the actuarial cost method used to determine the annual required employer contributions to the entry age normal method. The actuarial cost method used for fiscal year 2006 and prior years was the open group aggregate cost method. The different methodology used for fiscal year 2006 and prior years does not provide for a consistent year-to-year measure. In future years, employer contributions using the entry age normal cost method will be added prospectively.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

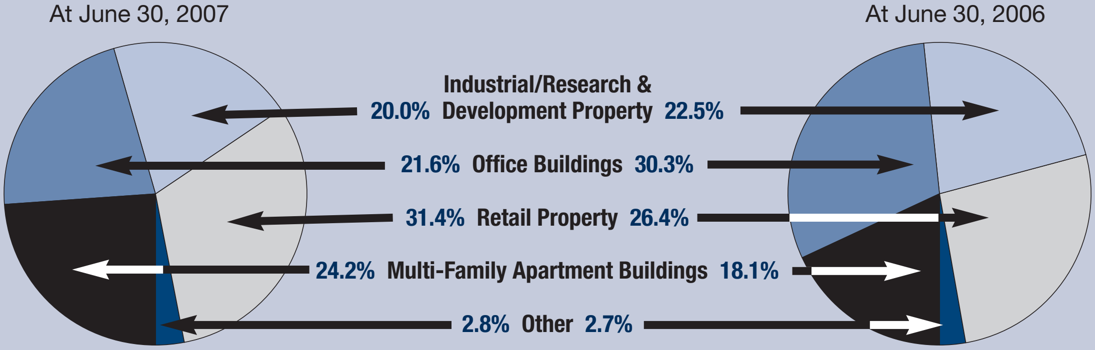
Supporting Schedules

COMMERCIAL REAL ESTATE INVESTMENTS BY TYPE

(in thousands)

	JUNE 30 2007	2006
Office Buildings	$ 86,160	$121,580
Multi-Family Apartment Buildings	96,136	72,772
Retail Property	124,909	105,768
Industrial/Research & Development Property	79,583	90,018
Other	11,107	10,762
TOTAL COMMERCIAL REAL ESTATE INVESTMENTS BY TYPE	**$397,915**	**$400,900**

Property Type Diversification

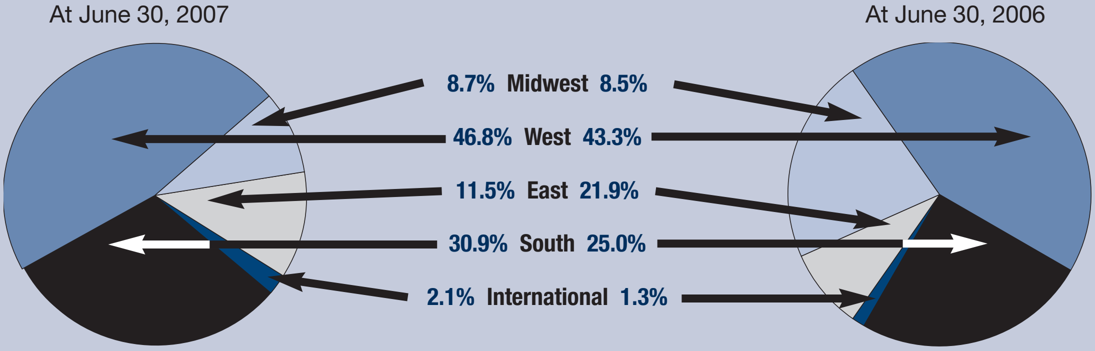


COMMERCIAL REAL ESTATE INVESTMENTS BY LOCATION

(in thousands)

	JUNE 30 2007	2006
West	$186,215	$174,001
East	45,797	87,710
South	122,931	100,278
Midwest	34,523	33,893
International	8,449	5,018
TOTAL COMMERCIAL REAL ESTATE INVESTMENTS BY LOCATION	**$397,915**	**$400,900**

Property Location Diversification



ALTERNATIVE INVESTMENTS	(in thousands)	
	JUNE 30	
	2007	2006
Venture Capital:		
Early Stage	$ 31,645	$ 37,188
Balanced Stage	105,551	98,121
Late Stage	3,669	6,435
Buyout Funds:		
Small Buyouts	6,957	5,596
Medium Buyouts	7,910	4,236
Large Buyouts	5,184	5,327
Natural Resources	348	399
Mezzanine Capital	835	1,017
Distressed Debt	23,806	14,424
Timberfunds:		
Domestic	69	22,044
International	23,238	74,739
Absolute Return Strategies	74,516	67,374
TOTAL ALTERNATIVE INVESTMENTS	**$283,728**	**$336,900**

CLICK HERE TO RETURN TO TABLE OF CONTENTS

CONTRIBUTIONS	(in thousands)	
	YEAR ENDED JUNE 30	
	2007	2006
CONTRIBUTIONS—PENSION PLAN		
EMPLOYER CONTRIBUTIONS:		
Employees	$ 44,202	$41,503
Teachers	23,225	19,830
Police Officers	18,205	16,771
Firefighters	10,736	8.877
TOTAL EMPLOYER CONTRIBUTIONS	**96,368**	**86,981**
STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS:		
Employees	—	—
Teachers	12,610	11,833
Police Officers	6,078	5,694
Firefighters	5,382	4,864
TOTAL STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS	**24,070**	**22,391**
PLAN MEMBER CONTRIBUTIONS:		
Employees	102,562	58,476
Teachers	101,570	58,978
Police Officers	52,021	21,691
Firefighters	16,216	8,676
TOTAL PLAN MEMBER CONTRIBUTIONS	**272,369**	**147,821**
TOTAL CONTRIBUTIONS—PENSION PLAN	**392,807**	**257,193**

CONTRIBUTIONS — OPEB PLANS		
EMPLOYER NORMAL:		
Group II — Police Officers and Firefighters	12,348	15,611
Group I — Teachers	11,486	13,943
Group I — Political Subdivision Employees	11,858	11,102
Group I — State Employees	10,474	9,599
TOTAL EMPLOYER NORMAL CONTRIBUTIONS	**46,166**	**50,255**
STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS:		
Group II — Police Officers and Firefighters	5,730	5,279
Group I — Teachers	6,305	5,915
Group I — Political Subdivision Employees	—	—
Group I — State Employees	—	—
TOTAL STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS	**12,035**	**11,194**
TOTAL CONTRIBUTIONS — OPEB PLANS	**58,201**	**61,449**
TOTAL CONTRIBUTIONS	**$451,008**	**$318,642**

CLICK HERE TO RETURN TO TABLE OF CONTENTS

NET APPRECIATION IN FAIR VALUE OF INVESTMENTS (in thousands)

	YEAR ENDED JUNE 30 2007	2006
Equity Investments:		
Domestic	$408,156	$198,930
International	146,233	128,274
Fixed Income Investments:		
Domestic	20,156	(43,755)
Global	2,163	(973)
Commercial Real Estate	76,592	45,403
Alternative Investments:		
Venture Capital Funds	36,027	11,684
Buyout Funds	6,508	4,230
Mezzanine Funds	814	343
Natural Resource Funds	37	64
Distressed Debt Funds	7,620	263
Timberfunds	10,553	4,448
Absolute Return Strategies	7,112	3,751
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	**$721,971**	**$352,662**

INTEREST INCOME	(in thousands)	
	YEAR ENDED JUNE 30	
	2007	2006
Fixed Income Investments:		
Domestic	$49,837	$46,342
Global	11,195	8,985
Cash and Cash Equivalents	2,538	2,928
TOTAL INTEREST INCOME	**$63,570**	**$58,255**

DIVIDEND INCOME	(in thousands)	
	YEAR ENDED JUNE 30	
	2007	2006
Equity Investments:		
Domestic	$29,555	$42,012
International	15,952	12,408
TOTAL DIVIDEND INCOME	**$45,507**	**$54,420**

ALTERNATIVE INVESTMENT INCOME (LOSS)	(in thousands)	
	YEAR ENDED JUNE 30	
	2007	2006
Venture Capital Funds	$ 740	($ 945)
Buyout Funds	(390)	245
Mezzanine Funds	571	20
Natural Resource Funds	(37)	(133)
Distressed Debt Funds	(44)	(21)
Timberfunds	(437)	(7,356)
Absolute Return Strategies	3,591	6,442
TOTAL ALTERNATIVE INVESTMENT INCOME	**$3,994**	**($1,748)**

COMMERCIAL REAL ESTATE INVESTMENTS INCOME AND EXPENSES

(in thousands)

	INCOME YEAR ENDED JUNE 30		EXPENSE YEAR ENDED JUNE 30		NET INCOME YEAR ENDED JUNE 30	
	2007	2006	2007	2006	2007	2006
Office Buildings	$20,809	$13,800	$12,573	$ 9,059	$ 8,236	$ 4,741
Multi-Family Apartment Buildings	12,136	10,290	7,233	6,454	4,903	3,836
Retail Property	17,310	9,547	8,768	4,062	8,542	5,485
Industrial/Research & Development Property	7,975	8,260	3,199	2,648	4,776	5,612
Other	618	1,205	258	262	360	944
TOTAL	**$58,848**	**$43,102**	**$32,031**	**$22,485**	**$26,817**	**$20,618**

INVESTMENT ACTIVITY FEES AND OTHER INVESTMENT RELATED EXPENSES

(in thousands)

	YEAR ENDED JUNE 30	
	2007	2006
INVESTMENT ACTIVITY FEES:		
Equity Investments:		
Domestic	$ 8,085	$11,552
International	3,944	3,359
Fixed Income Investments:		
Domestic	2,520	2,345
Global	661	627
Alternative Investments:		
Venture Capital Funds	5,324	2,914
Buyout Funds	65	426
Mezzanine Funds	10	12
Natural Resource Funds	54	149
Distressed Debt Funds	464	355
Timberfunds	477	627
Absolute Return Strategies	667	755
Commercial Real Estate	1,711	2,187
Custodial Fees	621	444
Investment Advisor Fees	540	602
TOTAL INVESTMENT ACTIVITY FEES	**$25,143**	**$26,354**
OTHER INVESTMENT RELATED EXPENSES:		
Securities Lending Borrower Rebates	39,997	26,174
Securities Lending Management Fees	572	587
TOTAL INVESTMENT ACTIVITY FEES AND OTHER INVESTMENT RELATED EXPENSES	**$65,712**	**$53,114**

CLICK HERE TO RETURN TO TABLE OF CONTENTS

BENEFITS	(in thousands)	
	YEAR ENDED JUNE 30	
	2007	2006
PENSION BENEFITS AND ADDITIONAL ALLOWANCES:		
Employees	$113,716	$105,957
Teachers	133,035	120,340
Police Officers	63,253	57,743
Firefighters	34,847	32,597
TOTAL PENSION BENEFITS AND ADDITIONAL ALLOWANCES	**$344,851**	**$316,637**
POSTEMPLOYMENT MEDICAL BENEFITS:		
Group II Police and Fire	$ 13,672	$ 14,689
Group I Teachers	17,260	14,575
Group I Political Subdivision Employees	4,880	7,892
Group I State Employees	10,941	4,483
TOTAL POSTEMPLOYMENT MEDICAL BENEFITS	**$ 46,753**	**$ 41,639**
TOTAL BENEFITS	**$391,604**	**$358,276**

REFUNDS OF CONTRIBUTIONS	(in thousands)	
	YEAR ENDED JUNE 30	
	2007	2006
Employees	$16,901	$14,599
Teachers	12,464	10,840
Police Officers	4,027	3,414
Firefighters	688	529
TOTAL REFUNDS OF CONTRIBUTIONS	**$34,080**	**$29,382**

ADMINISTRATIVE EXPENSES

(in thousands)

	2007 EXPENSE	2007 BUDGET*	OVER (UNDER) BUDGET	2006 EXPENSE	2006 BUDGET*	OVER (UNDER) BUDGET
Salaries and Wages	$2,802	$2,760	$ 42	$2,497	$2,841	($ 344)
Fringe Benefits	1,366	1,368	(2)	974	1,382	(408)
Supplies, Utilities and Postage	447	368	79	335	380	(45)
Organizational Dues	9	11	(2)	10	10	—
Equipment	46	85	(39)	43	77	(34)
Travel						
Board of Trustees	14	22	(8)	23	20	3
Staff	34	40	(6)	34	32	2
State Services	78	113	(35)	72	113	(41)
Office Rents and Expenses	413	264	149	252	405	(153)
Computer Support and System Development	821	1,696	(875)	830	1,350	(520)
Consulting	63	138	(75)	204	267	(63)
Unemployment Compensation	5	1	4	8	8	—
Workers Compensation	7	15	(8)	2	15	(13)
TOTAL	**$6,105**	**$6,881**	**($776)**	**$5,284**	**$6,900**	**($1,616)**

* The NHRS budget is composed of the initial operating budget and supplemented by additional appropriations. These appropriations are generated by Governor and Council action, annual session laws, and existing statutes which require appropriations under certain circumstances. The budget therefore is a flexible budget. It is a biennial budget which consists of balances brought forward plus current year appropriations, less balances carried forward into the following fiscal year. The balances carried forward into the following fiscal year are comprised of encumbrances and non-lapsing appropriations.

PROFESSIONAL FEES

(in thousands)

	YEAR ENDED JUNE 30 2007	2006
Actuarial Fees	$390	$ 249
Audit Fees	149	146
Legal Fees	166	668
TOTAL PROFESSIONAL FEES	**$705**	**$1,063**

MEMBERSHIP COMPOSITION

	JUNE 30 2007	JUNE 30 2006#
ACTIVE CONTRIBUTING MEMBERS:		
Employees	26,474	26,764
Teachers	18,477	18,719
Police Officers	4,263	4,636
Firefighters	1,588	1,619
TOTAL ACTIVE CONTRIBUTING MEMBERS	**50,802***	**51,738***
RETIRED MEMBERS:		
Employees	10,859	10,373
Teachers	6,928	6,141
Police Officers	2,293	2,093
Firefighters	1,168	1,104
TOTAL RETIRED MEMBERS	**21,248**	**19,711**

\# Information estimated as there was no full actuarial valuation prepared as of June 30, 2006

* Excludes inactives.

PAYMENTS FROM THE STATE GENERAL FUND

(in thousands)

	YEAR ENDED JUNE 30 2007	YEAR ENDED JUNE 30 2006
State Share of Normal Contributions for Local Employers	$36,105	$33,585
State Payments for Health Insurance for Retired State Members	35,539	31,618
TOTAL STATE GENERAL FUND PAYMENTS EXCLUSIVE OF NORMAL CONTRIBUTIONS FOR STATE MEMBERS	**$71,644**	**$65,203**

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Investment Section

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Investment Consultant's Letter

ENNISKNUPP

July 15, 2008

The Board of Trustees
The Executive Director
The New Hampshire Retirement System
54 Regional Drive
Concord, NH 03301-8507

Dear Trustees and Executive Director:

Ennis Knupp + Associates (EnnisKnupp) is pleased to report the results of the New Hampshire Retirement System (NHRS) investment program for the fiscal year ended June 30, 2007.

The goal of the NHRS investment program is to meet the long term funding requirements of the pension plan and to provide retirement benefits to members and beneficiaries. To support this objective, the NHRS maintains policies and guidelines that govern the investment program including a proxy voting policy. The Statement of Investment Policy sets specific investment objectives, performance standards and portfolio guidelines for the Total Fund and each of the asset classes. The NHRS is invested across an array of asset classes with varying risk and return characteristics as directed by the Statement of Investment Policy. In total, the NHRS has a well-diversified investment program.

During the 2007 fiscal year, the Investment Committee completed a thorough review of the marketable investments portion of the investment program and the study of the relationship between the liabilities and the supporting assets. Changes were made to the investment program to better recognize the influence of investment risk in the structure of the program. Notable among these changes was the addition of low cost index funds with the resulting reduction in investment management fees and the reduction to the commercial real estate and private equity policy allocations. Implementation of these changes is expected to continue into fiscal year 2008.

The Total Fund experienced a strong return in the last half of the fiscal year returning 6.6% ahead of the Total Fund Custom Benchmark return of 6.1%. For fiscal year 2007 the Total Fund returned 16.0%, which fell just short of the Total Fund Custom Benchmark which returned 16.2% for the same period. The Total Fund Custom Benchmark is composed of the individual asset class benchmarks in the same proportion as the target asset class allocations.

Investment measurements and comparisons produced by EnnisKnupp have been made using standard performance evaluation methods, and results are presented in a manner consistent with the investment industry in general and public pension funds in particular. Rates of return were determined using a modified time-weighted return calculation and are net of investment management fees.

Sincerely,

Kristine L. Ford, CFA
Principal

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CLICK HERE TO RETURN TO TABLE OF CONTENTS

ANNUALIZED INVESTMENT RETURNS—ACTUAL VERSUS INDICES

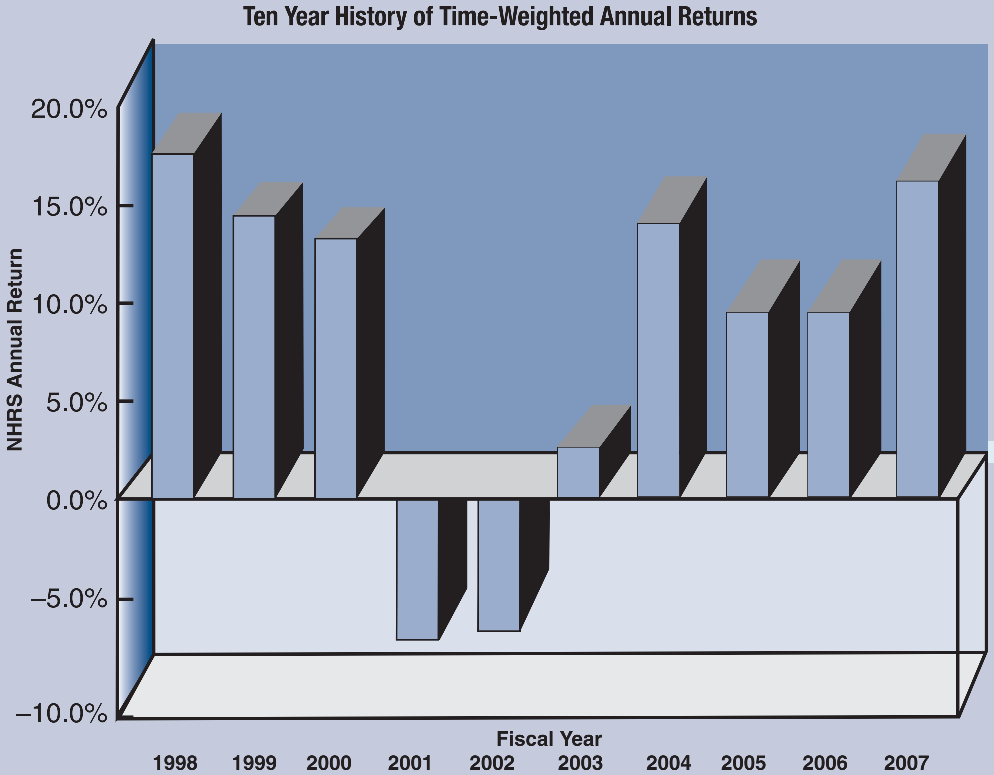
	Current Year 2007	Annualized 3 Year	Annualized 5 Year
Total NHRS Fund	16.0%	11.9%	10.4%
Total Fund Custom Index*	16.2	12.1	11.1
Domestic Equity	18.6	11.8	10.3
Russell 3000 Index	20.1	12.4	11.5
International Equity	25.0	22.0	15.8
MSCI ACWI (ex U.S.) Index	29.6	24.5	19.5
Domestic Fixed Income	6.7	4.9	5.6
Lehman Brothers Universal Bond Index	6.6	4.5	5.2
Global Fixed Income	6.7	7.7	12.6
J.P. Morgan Global Broad Bond Index	3.3	3.7	6.7
Commercial Real Estate	20.9	24.3	19.7
NCREIF Property Index	17.2	16.6	13.6
Cash Equivalents	5.3	4.0	3.0
Lehman Brothers 90-Day T-Bill Index	5.2	3.8	2.8
Alternative Investments	16.5	8.7	2.9
Consumer Price Index +5%**	7.9	7.4	7.6

Performance returns are calculated on a net-of-fees time-weighted rate of return basis.

Performance returns for commercial real estate and alternative investment asset classes reflect a one quarter lag calculation methodology.

* The custom index is comprised of major market indices in proportion to the System's asset allocation.

** There is not a generally accepted benchmark for alternative investments. However, the Consumer Price Index +5% is utilized for comparative purposes.

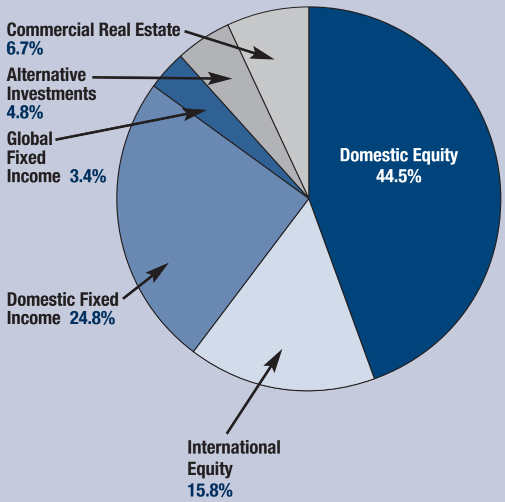


CLICK HERE TO RETURN TO TABLE OF CONTENTS

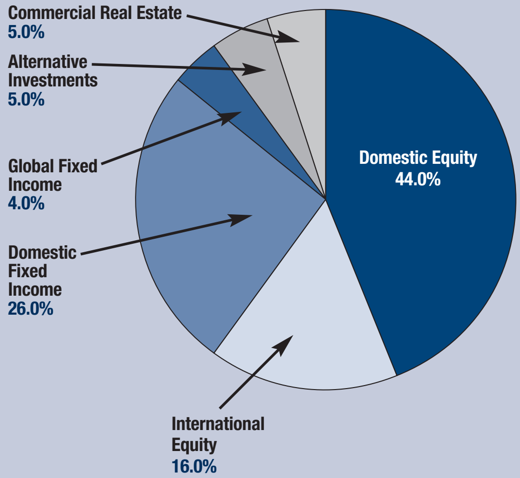
ACTUAL ASSET ALLOCATION VERSUS TARGET ASSET ALLOCATION

	As of June 30, 2007		
	Actual %	Target %	Target Range %
Domestic Equity	44.5%	44.0%	40–48
International Equity	15.8	16.0	12–20
Domestic Fixed Income	24.8	26.0	24–28
Global Fixed Income	3.4	4.0	2–6
Alternative Investments	4.8	5.0	3–7
Commercial Real Estate	6.7	5.0	3–7
TOTAL FUND	**100.0%**	**100.0%**	

Actual Asset Allocation as of June 30, 2007



Target Asset Allocation as of June 30, 2007



TEN LARGEST STOCK HOLDINGS BY FAIR VALUE*

(in thousands)

	Shares	Stock	June 30, 2007 Fair Value
1	578,413	Citigroup, Inc.	$29,667
2	674,100	General Electric Corp.	25,805
3	893,500	Yahoo, Inc.	24,241
4	45,700	Google, Inc.	23,918
5	335,100	American International Group, Inc.	23,467
6	761,800	Cisco Systems, Inc.	21,216
7	290,100	Amazon.com, Inc.	19,846
8	577,100	eBay, Inc.	18,571
9	231,600	Rio Tinto, Ltd.	17,783
10	423,927	AT&T, Inc.	17,593

TEN LARGEST FIXED INCOME HOLDINGS BY FAIR VALUE*

(in thousands)

	Par	Security	June 30, 2007 Fair Value
1	23,825,000	U.S. Treasury Bonds, 7.250%, AAA, Due 5/15/2016	$27,535
2	25,470,000	U.S. Treasury Bonds, 5.375%, AAA, Due 2/15/2031	26,155
3	23,821,000	U.S. Treasury Notes, 3.875%, AAA, Due 2/15/2013	22,624
4	15,283,000	U.S. Treasury Notes, 4.000%, AAA, Due 11/15/2012	14,651
5	14,625,000	U.S. Treasury Notes, 4.625%, AAA, Due 8/31/2011	14,460
6	39,490,000**	Republic of Poland Bonds, 5.750%, A, Due 6/24/2008	14,288
7	14,098,992	FHLMC Bonds, 6.000%, Agency, Due 8/15/2028	13,989
8	13,526,023	FNMA Bonds, 5.500%, Agency, Due 3/1/2036	13,079
9	11,605,000	U.S. Treasury Bonds, 6.000%, AAA, Due 2/15/2026	12,668
10	17,390,000**	Government of Singapore Bonds, 2.625%, AAA, Due 10/1/2007	11,382

The NHRS Also Invests in Northern Trust Global Investments (NTGI) Collective Investment Trusts:

(in thousands)

Units	Security	June 30, 2007 Fair Value
1,640,976	NTGI Collective Daily Russell 3000 Index Fund	$1,350,476
1,502,250	NTGI Collective Daily Aggregate Bond Index Fund	515,888
12,390,708	NTGI Collective Daily All Country World Index ex-U.S. Fund	162,021

* A complete listing of portfolio holdings is available for review by contacting the NHRS offices.

** Par value is denoted in local currency.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

SCHEDULE OF INVESTMENT MANAGEMENT AND SERVICE FEES

	YEAR ENDED JUNE 30, 2007		
	Assets Under Management (in thousands)	Fees (in thousands)	Basis Points
INVESTMENT MANAGEMENT FEES			
Equity Investments:			
Domestic	$2,570,186	$ 8,085	31
International	956,699	3,944	41
Fixed Income Investments:			
Domestic	1,405,846	2,520	18
Global	211,775	661	31
Alternative Investments:			
Venture Capital Funds*	140,865	5,324	125
Buyout Funds*	20,051	65	8
Mezzanine Funds*	835	10	10
Natural Resource Funds*	348	54	27
Distressed Debt*	23,806	464	155
Timberfunds	23,307	477	205
Absolute Return Strategies	74,516	667	90
Commercial Real Estate	397,915	1,711	43
Cash and Cash Equivalents	93,826	—	—
TOTAL INVESTMENT MANAGEMENT FEES	**$5,919,975**	**$23,982**	**41**
INVESTMENT SERVICE FEES			
Custodial Fees	$5,238,332	$ 621	1
Investment Advisor Fees	5,919,975	540	1
Security Lending Management Fees	886,819	572	6
TOTAL INVESTMENT MANAGEMENT AND SERVICE FEES	**$5,919,975**	**$25,714**	**43**

* Basis point calculation is based on committed capital in accordance with investment management agreements.

 CLICK HERE TO RETURN TO TABLE OF CONTENTS

SCHEDULE OF BROKERAGE COMMISSIONS PAID

	YEAR ENDED JUNE 30, 2007		
Brokerage Firm	Number of Shares Traded (in thousands)	Total Commissions (in thousands)	Commissions Per Share
Bear Stearns Securities Corporation	409,083	$ 521	$0.01
Citigroup Global Markets, Inc.	5,213	493	0.09
State Street Brokerage Services	19,381	350	0.02
Cantor Fitzgerald & Company, Inc.	3,600	177	0.05
Merrill Lynch & Company, Inc.	10,567	167	0.02
Goldman Sachs & Company, Inc.	5,268	137	0.03
Investment Technology Group, Inc.	7,009	132	0.02
J.P. Morgan Securities, Inc.	2,946	128	0.04
UBS AG	4,660	111	0.02
Credit Suisse First Boston Corporation	3,318	103	0.03
Lehman Brothers, Inc.	2,701	102	0.04
Morgan Stanley & Company, Inc.	2,342	81	0.03
National Financial Services, LLC	1,567	74	0.05
Liquidnet, Inc.	2,964	71	0.02
McDonald & Company	1,310	65	0.05
Bank of America Securities, LLC	1,665	62	0.04
Abel/Noser Corporation	4,060	62	0.02
Barclays Global Investors	5,939	59	0.01
Capital Institutional Services, Inc.	1,494	59	0.04
Instinet, LLC	1,847	58	0.03
All Others (184 not listed separately)	72,982	1,412	0.02
TOTAL BROKERAGE COMMISSIONS PAID	**569,916**	**$4,424**	**$0.01**

Commission detail is not included in the schedule above for the following funds because they are commingled investments:

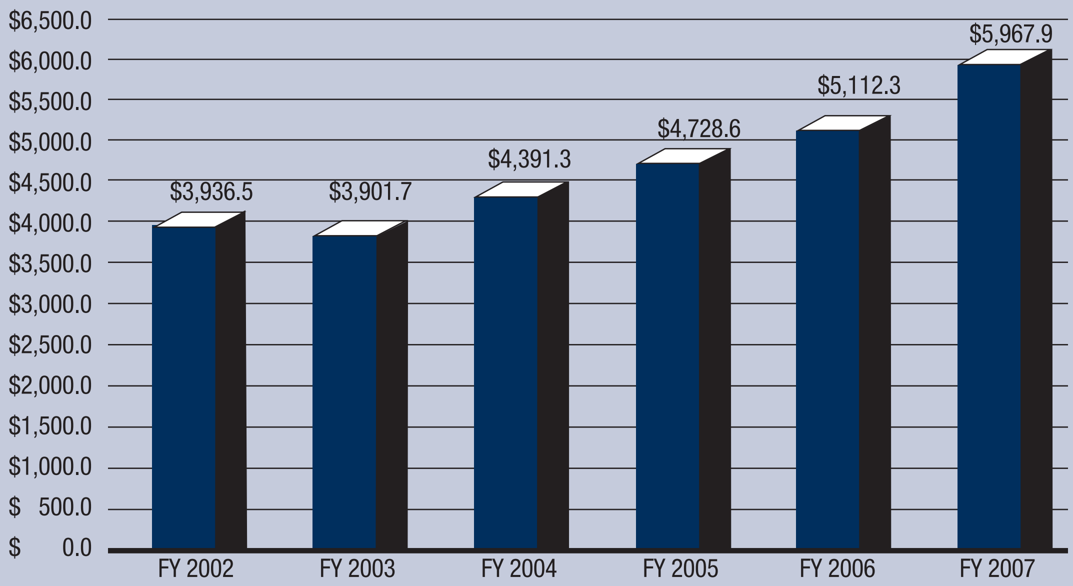
NTGI Collective Daily Russell 3000 Index Fund
NTGI Collective Daily All Country World Index ex-U.S. Fund

CLICK HERE TO RETURN TO TABLE OF CONTENTS

SUMMARY OF INVESTMENTS

TYPE OF INVESTMENT	June 30, 2007 Fair Value (in millions)	Percent of Total Fair Value
FIXED INCOME		
Government and Agency Bonds	$ 728.0	12.3 %
Corporate Bonds	203.7	3.4
Commercial Mortgage Backed Bonds	131.4	2.2
Asset Backed Bonds	1.7	0.1
Collateralized Mortgage Bond Obligations	37.0	0.6
NTGI Collective Daily Aggregate Bond Index Fund	515.9	8.7
TOTAL FIXED INCOME	**1,617.7**	**27.3**
EQUITY		
Consumer Discretionary	251.5	4.2
Consumer Staples	117.8	2.0
Energy	210.9	3.6
Financial Services	363.0	6.1
Health Care	200.5	3.4
Industrials	264.7	4.5
Information Technology	345.9	5.8
Materials	134.7	2.3
Telecommunication Services	79.8	1.4
Utilities	45.6	0.8
NTGI Collective Daily Russell 3000 Index Fund	1,350.5	22.8
NTGI Collective Daily All Country World Index ex-U.S. Fund	162.0	2.7
TOTAL EQUITY	**3,526.9**	**59.6**
OTHER INVESTMENTS		
Alternative Investments	283.7	4.8
Commercial Real Estate	397.9	6.7
Cash and Cash Equivalents	93.8	1.6
TOTAL INVESTMENTS	**$5,920.0**	**100.0 %**

Net Assets Held In Trust For Benefits
(in millions)



 CLICK HERE TO RETURN TO TABLE OF CONTENTS

Actuarial Section

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Actuarial Certification

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries
One Towne Square
Suite 800
Southfield, MI 48076-3723
248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

July 15, 2008

Board of Trustees
New Hampshire Retirement System
54 Regional Drive
Concord, New Hampshire 03301-8509

Dear Board Members:

The basic financial objective of the New Hampshire Retirement System (NHRS) is to establish and receive contributions which:

- when expressed in terms of percents of active member payroll will remain approximately level from generation to generation, and
- when combined with present assets and future investment return will be sufficient to meet the financial obligations of NHRS to present and future retirees and beneficiaries.

The financial objective is addressed within the biennial actuarial valuation. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over 30 years. The most recent valuation was completed based upon population data, asset data, and plan provisions as of June 30, 2007. The June 30, 2007 actuarial report establishes the contribution requirements for Fiscal Years 2010 and 2011.

The plan administrative staff provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year to year consistency. The actuary summarizes and tabulates population data in order to analyze longer term trends.

The actuary prepared the following supporting schedules for the Comprehensive Annual Financial Report:

- Summary of Actuarial Assumptions
- Percent Retiring Next Year
- Probabilities of Retirement for Members Eligible to Retire
- Percent Separating Within Next Year
- Individual Employee Pay Increases
- Retiree and Beneficiary Reconciliation
- Retiree and Beneficiary Age Distribution
- Active Members by Valuation Group
- Active Members Age and Service Distribution
- Historical Summary of Active Members Data
- Summary of Membership by Category
- Distribution of Retired Members by Year of Service
- Distribution of Retired Members by Type of Benefit
- Analysis of Financial Experience
- Schedule of Funding Progress

The Board of Trustees
July 15, 2008
Page 2

- Solvency Test
- Schedule of Employer Contributions

Information in historical schedules prior to June 30, 2007 was provided by the previous actuary.

Assets are valued on a market related basis that recognizes each year's difference between actual and assumed investment return over a closed five year period.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The actuarial funding method is the Individual Entry Age Actuarial Cost Method, as is required by NHRS State Statute. The assumptions and the methods comply with the requirements of Statements No. 25 and No. 43 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. Except as indicated below, actuarial methods and assumptions were adopted by the Board pursuant to the June 30, 2005 Experience Study (which was performed by the prior actuary).

Combined experience was favorable during the biennium ending June 30, 2007. The following changes were reflected/made in the valuation process for the June 30, 2007 valuation:

- Change in Actuary
- Change in funding method (to the Individual Entry Age Actuarial Cost Method)
- The wage inflation assumption has been explicitly set at 4.5%. The remaining merit and longevity salary scale assumptions for each group have been reduced by 0.5% so long as the combined increase (merit and longevity plus wage inflation) was not less than 4.5%.
- The assumption that all Group II retirees will have a 50% spousal allowance paid has been changed to reflect actual experience and reported data.
- The assumption that all retirees retire at mid-year has been changed for the Teacher group only to reflect that all Teachers are assumed to retire at the beginning of each fiscal year.
- Normal cost has been loaded to account for administrative expenses paid directly out of the NHRS fund.
- The funding value of asset method was changed to a method that does not rely on the book value.
- A post-retirement COLA equal to 2.25% for all retirees retired for at least 12 months as of July 1, 2007.
- A maximum retirement benefit equal to 100% of the member's highest year of earnable compensation for members hired prior to July 1, 2009.
- Repealing of the option to purchase nonqualified service credit in the System.
- A maximum retirement benefit equal to $120,000 annually for members hired on or after July 1, 2009.
- An asset transfer of $250 million from the Special Account to the net pension assets (effective July 1, 2008).
- Eliminate the post-retirement health subsidy increases scheduled for July 1, 2008, July 1, 2009, July 1, 2010, and July 1, 2011. Beginning July 1, 2012, and on each July 1 thereafter, provide an annual 4% compound increase in the post-retirement health subsidy payment.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

The Board of Trustees
July 15, 2008
Page 2

- Contributions to the 401(h) sub-trust will be the lesser of 25% of the employers' contributions to the pension fund or the actuarial required contribution rate that keeps the medical subsidy sub-trust solvent.
- Non-vested employees who leave employment (for reasons other than death or retirement) may leave their money in the system and continue to earn 2% below the actual rate of return on their funds for the period they are out of the system. These accumulated contributions shall be returned within three months of a former member filing a written request for such payment with the system. In the event a former member returns to membership status after a break in service, his or her previous service shall count toward that member's creditable service to the extent that his or her accumulated contributions have remained in the system.
- Allow Teachers and Political Subdivision Employee members who are eligible to retire by July 1, 2008 (and eligible for the medical subsidy) to receive the medical subsidy if they actually retire by July 1, 2009 (delayed from July 1, 2008).

We certify that the information contained in the June 30, 2007 actuarial valuation report of the NHRS is accurate and fairly presents the actuarial position of the New Hampshire Retirement System as of June 30, 2007. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

The undersigned actuaries are members of the American Academy of Actuaries (M.A.A.A), as indicated, are independent of the plan sponsor and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Kenneth G. Alberts

David T. Kausch, F.S.A., E.A., M.A.A.A.

Brian B. Murphy, F.S.A., E.A., M.A.A.A.

Summary of Actuarial Assumptions And Methods

The actuarial methods and assumptions that were used in the development of the June 30, 2007 actuarial valuation are as follows. The June 30, 2007 actuarial valuation will be used to determine employer contributions for the fiscal years ended June 30, 2010 and June 30, 2011.

VALUATION METHODS

Actuarial Cost Methods — Normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using an *Individual Entry-Age Actuarial Cost Method* having the following characteristics:

(i) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement;

(ii) each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Actuarial gain/(losses), as they occur, reduce (increase) the unfunded actuarial accrued liability.

Financing of Unfunded Actuarial Accrued Liabilities — unfunded actuarial accrued liabilities were amortized by level (principal and interest combined) percent-of-payroll contributions over 30 years from the contribution effective date (Fiscal Year 2010).

Actuarial Value of Assets — The actuarial value of assets recognizes assumed investment income fully each year. Differences between actual and assumed investment income are phased in over a closed 5 year period. During periods when investment performance exceeds the assumed rate, funding value of assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, funding value of assets will tend to be greater than market value. The funding value of assets is unbiased with respect to market value. If assumed rates are exactly realized for 4 consecutive years, it will become equal to market value. At any time it may be either greater or less than market value. Funding value was limited to a 20% corridor around the market value.

DEVELOPMENT OF AMORTIZATION PAYMENT

The employer contribution rate determined by this valuation will not be effective until two years after the valuation date. The unfunded actuarial accrued liability (UAAL) was determined using the funding value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL amortization payment (one component of the contribution requirement), is the level percent of pay required to fully amortize the UAAL over a 30 year period beginning on July 1, 2009. This UAAL payment reflects any payments expected to be made between the valuation date and the date contributions determined by this report are scheduled to begin. It was assumed that the entire pension contribution as calculated in the June 30, 2005 valuation would be contributed to the net pension assets.

ECONOMIC ASSUMPTIONS

The investment return rate assumed in the valuation is 8.50% per year, compounded annually (net after investment expenses).

The wage inflation rate assumed in this valuation was 4.50% per year. The wage inflation rate is defined to be the portion of total pay increases for an individual that are due to macro economic forces including productivity, price inflation, and labor market conditions. The wage inflation rate does not include pay changes related to individual merit and seniority effects.

No specific price inflation assumption is required to perform this valuation, since there are no benefits that are linked to price increases. However, a price inflation assumption on the order of 3.5% would be consistent with the other economic assumptions.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

The assumed real rate of return over wage inflation is defined to be the portion of total investment return that is more than the assumed total wage growth rate. Considering other economic assumptions, the 8.50% investment return rate translates to an assumed real rate of return over wage inflation of 4.00%. The assumed real rate of return over price inflation would be higher — on the order of 5.00%, considering both an inflation assumption and an average expense provision.

The active member population is assumed to remain constant. For purposes of financing the unfunded liabilities, total payroll is assumed to grow at the wage inflation rate — 4.50% per year.

Pay increase assumptions for individual active members are shown for sample ages on page 51. Part of the assumption for each age is for merit and/or seniority increase, and the other 4.50% recognizes wage inflation, including price inflation, productivity increases, and other macro economic forces.

GROUP I—EMPLOYEES

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal and vesting, death, disability, and normal retirement are as follows:

	Annual Rate of					
	Withdrawal and Vesting#		Death*		Disability**	
Age	Men	Women	Men	Women	Men	Women
20	—	—	.06%	.02%	.03%	.02%
25	7.00%	8.00%	.06	.02	.04	.02
30	6.50	7.00	.06	.03	.05	.02
35	5.50	6.00	.06	.04	.10	.05
40	4.50	5.00	.06	.07	.18	.08
45	4.00	4.00	.10	.10	.22	.12
50	3.50	3.50	.15	.14	.27	.18
55	3.00	3.00	.20	.18	.29	.22
60	2.20	2.60	—	—	—	—

	Annual Rate of	
	Normal Retirement	
Age	Men	Women
60	12.50%	13.00%
61	15.00	15.00
64	21.00	18.50
67	24.00	19.00
70	100.00	100.00

#Withdrawal rates for the first two years of employment are multiplied by 2.0.
*98% are assumed to be ordinary death and 2% are assumed to be accidental death.
**50% are assumed to be ordinary disability and 50% are assumed to be accidental disability.

SALARY INCREASES: Representative values of the assumed rates of future salary increases are as follows:

Age	Merit & Seniority	Base	Annual Rate of Salary Increases
20	11.75%	4.50%	16.25%
25	8.75	4.50	13.25
30	4.25	4.50	8.75
35	3.25	4.50	7.75
40	1.85	4.50	6.35
45	1.65	4.50	6.15
50	1.45	4.50	5.95
55	1.25	4.50	5.75
60	1.05	4.50	5.55

DEATHS AFTER RETIREMENT:

	MORTALITY RATE			MORTALITY RATE	
AGE	MEN	WOMEN	AGE	MEN	WOMEN
35	.08%	.05%	60	.74%	.36%
40	.10	.06	65	1.41	.78
45	.15	.10	70	2.49	1.56
50	.24	.16	75	4.18	2.57
55	.39	.23	80	6.93	4.20

GROUP I—TEACHERS

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal and vesting, death, disability, and normal retirement are as follows:

	Annual Rate of					
	Withdrawal and Vesting#		Death*		Disability*	
Age	Men	Women	Men	Women	Men	Women
20	—	—	.02%	.03%	.01%	.01%
25	4.50%	4.50%	.02	.03	.01	.01
30	4.00	4.00	.03	.03	.01	.01
35	3.50	3.50	.04	.03	.01	.01
40	2.75	3.00	.05	.05	.01	.01
45	2.75	2.00	.06	.05	.02	.02
50	3.50	2.50	.12	.10	.05	.05
55	4.00	3.50	.18	.15	.20	.10
60	4.40	3.90	—	—	—	—

\# Withdrawal rates for first year of employment are multiplied by 3.0 and for second year of employment are multiplied by 2.0.
* 98% are assumed to be ordinary death and 2% are assumed to be accidental death.
** 92% are assumed to be ordinary disability and 8% are assumed to be accidental disability.

	Annual Rate of	
Age	Normal Retirement	
	Men	Women
58	20.50%	15.00%
61	22.00	18.00
64	25.00	24.00
67	28.00	27.00
70	100.00	100.00

SALARY INCREASES: Representative values of the assumed rates of future salary increases are as follows:

Age	Merit & Seniority	Base	Annual Rate of Salary Increases
20	3.75%	4.50%	8.25%
25	3.75	4.50	8.25
30	2.00	4.50	6.50
35	1.50	4.50	6.00
40	1.00	4.50	5.50
45	0.50	4.50	5.00
50	0.00	4.50	4.50
55	0.00	4.50	4.50
60	0.00	4.50	4.50

CLICK HERE TO RETURN TO TABLE OF CONTENTS

DEATHS AFTER RETIREMENT:

	MORTALITY RATE			MORTALITY RATE	
AGE	MEN	WOMEN	AGE	MEN	WOMEN
35	.07%	.04%	60	.49%	.32%
40	.09	.06	65	.96	.66
45	.12	.09	70	1.79	1.39
50	.18	.14	75	3.06	2.34
55	.28	.21	80	5.13	3.78

GROUP II — POLICE OFFICERS

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal, vesting, death, disability, and retirement are as follows:

	Annual Rate of						
	Withdrawal and Vesting		Death		Disability		
Age	Men	Women	Men	Women	Ordinary	Accidental	Retirement
20	—	—	.04%	.04%	.00%	.01%	—
25	5.50%	5.50%	.05	.05	.01	.01	—
30	4.50	4.50	.06	.06	.02	.01	—
35	3.50	3.50	.07	.07	.02	.15	—
40	3.00	3.00	.10	.10	.06	.20	—
45	3.00	3.00	.14	.14	.14	.25	27.00 %
50	3.00	3.00	.16	.16	.20	.30	30.00
55	2.00	2.00	.24	.24	.36	.35	35.00
60	2.00	2.00	—	—	1.38	.40	27.00
64	—	—	—	—	—	—	27.92
67	—	—	—	—	—	—	29.17
70	—	—	—	—	—	—	100.00

SALARY INCREASES: Representative values of the assumed rates of future salary increases are as follows:

Age	Merit & Seniority	Base	Annual Rate of Salary Increases
20	7.75%	4.50%	12.25%
25	7.75	4.50	12.25
30	3.25	4.50	7.75
35	2.00	4.50	6.50
40	0.75	4.50	5.25
45	0.75	4.50	5.25
50	0.75	4.50	5.25
55	0.75	4.50	5.25
60	0.75	4.50	5.25

DEATHS AFTER RETIREMENT:

	MORTALITY RATE			MORTALITY RATE	
AGE	MEN	WOMEN	AGE	MEN	WOMEN
35	.08%	.05%	60	.74%	.36%
40	.10	.06	65	1.41	.78
45	.15	.10	70	2.49	1.56
50	.24	.16	75	4.18	2.57
55	.39	.23	80	6.93	4.20

NORMAL RETIREMENT: Age 45 with 20 years of service or age 60 if earlier.

 CLICK HERE TO RETURN TO TABLE OF CONTENTS

GROUP II — FIREFIGHTERS

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal and vesting, death, disability, and retirement are as follows:

	Annual Rate of						
	Withdrawal and Vesting		Death		Disability		
Age	Men	Women	Men	Women	Ordinary	Accidental	Retirement
20	—	—	.03%	.03%	.02%	.05%	—
25	1.00%	1.00%	.03	.03	.02	.05	—
30	1.00	1.00	.04	.04	.02	.07	—
35	1.00	1.00	.05	.05	.02	.09	—
40	1.00	1.00	.07	.07	.02	.20	—
45	1.00	1.00	.10	.10	.02	.25	15.00 %
50	1.00	1.00	.11	.11	.02	.30	15.00
55	1.00	1.00	.17	.17	.02	.35	25.00
60	1.00	1.00	—	—	—	—	30.00
64	—	—	—	—	—	—	26.00
67	—	—	—	—	—	—	25.00
70	—	—	—	—	—	—	100.00

SALARY INCREASES: Representative values of the assumed rates of future salary increases are as follows:

Age	Merit & Seniority	Base	Annual Rate of Salary Increases
20	9.00%	4.50%	13.50%
25	8.00	4.50	12.50
30	5.00	4.50	9.50
35	3.00	4.50	7.50
40	1.25	4.50	5.75
45	1.25	4.50	5.75
50	1.25	4.50	5.75
55	1.25	4.50	5.75
60	1.25	4.50	5.75

DEATHS AFTER RETIREMENT:

	MORTALITY RATE			MORTALITY RATE	
AGE	MEN	WOMEN	AGE	MEN	WOMEN
35	.10%	.05%	60	.56%	.44%
40	.10	.07	65	1.02	.86
45	.13	.08	70	1.93	1.56
50	.21	.12	75	3.43	2.59
55	.34	.23	80	5.54	4.33

NORMAL RETIREMENT: Age 45 with 20 years of service or age 60 if earlier.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

TECHNICAL ASSUMPTIONS

Administrative & Investment Expenses	The investment return assumption is intended to be the return net of investment expenses. Annual administrative expenses are assumed to be equal to the prior year's administrative expenses. Assumed administrative expenses are added to the Normal Cost, and were 0.35% of payroll in the June 30, 2007 valuation.
Benefit Service	Exact Fractional service is used to determine the amount of benefit payable.
COLA	None assumed.
Decrement Operation	Disability decrements do not operate during retirement eligibility. Only withdrawal operates in the select withdrawal period.
Decrement Timing	Normal and early retirement decrements for the Teachers group are assumed to occur at the beginning of the year. All other decrements were assumed to occur mid-year.
Eligibility Testing	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Forfeitures	None.
Gain Sharing	When the plan becomes 85% funded, current statutes provide that 100% of investment return above 10.5% is to be transferred to the Special Account. Projections based on valuation assuptions suggest that this may begin to occur in approximately 2029. This effect was not included in the valuation and was judged to be small due to the length of time before gainsharing occurs. This is based upon current statutes.
Incidence of Contributions	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll at the time contributions are made.
Liability Adjustments	Normal, early, and vesting retirement liabilities are increased by 7.5%, 8.5%, 10.6%, and 11.2% for Employees, Teachers, Police, and Fire respectively to account for lump sum payments.
Marriage Assumption	Group I: 80% of males and 80% of females are assumed to be married for purposes of death-in-service benefits. Group II: 50% of males and 50% of females are assumed to be married for purposes of death-in-service and death after retirement benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.
Normal Form of Benefit	Group I: The assumed normal form of benefit is a straight life benefit. Group II: The assumed normal form of benefit is straight life for single members and joint and 50% survivor for married members.
Pay Increase Timing	Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
Service Credit Accruals	It is assumed that members accrue one year of service credit per year.

Historical Membership Data—Active and Retired

The following 4 tables summarize the actuarial valuation data for the period from 1997 through 2007. Since biennial valuations are prepared, the data is available for odd years only.

EMPLOYEES

(aggregate compensation and annual allowance dollars in thousands)

ACTIVE MEMBERSHIP DATA

FISCAL YEAR	NUMBER OF ACTIVES***	AGGREGATE COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
2007	26,474	$ 942,319	$ 35,594	6.91%
2005	26,414	879,419	33,294	9.99
2003	26,371	798,241	30,270	9.23
2001	24,413	676,536	27,712	6.08
1999	22,519	588,290	26,124	3.86
1997	21,307	535,936	25,153	(1.26)

RETIRED MEMBERSHIP DATA

	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR			
FISCAL YEAR	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
2007	1,465	$21,041	579	$5,471	10,859	$116,429	15.44 %	$10,722
2005	1,620	19,183	739	5,972	9,973	100,859	18.56	10,113
2003	1,258	13,588	572	4,029	9,092	85,067	18.11	9,356
2001	1,095	10,078	617	3,965	8,406	72,025	17.11	8,568
1999	1,183	10,077	571	3,195	7,928	61,501	20.00	7,757
1997	1,064	9,120	578	2,724	7,316	51,249	19.11	7,005

TEACHERS

(aggregate compensation and annual allowance dollars in thousands)

ACTIVE MEMBERSHIP DATA

FISCAL YEAR	NUMBER OF ACTIVES***	AGGREGATE COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
2007	18,477	$ 922,308	$ 49,917	8.28%
2005	18,474	851,664	46,101	7.88
2003	18,710	799,544	42,734	8.11
2001	17,718	700,361	39,528	4.02
1999	16,034	609,275	37,999	3.27
1997	15,062	554,208	36,795	3.09

RETIRED MEMBERSHIP DATA

	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR			
FISCAL YEAR	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
2007	1,254	$27,313	230	$4,004	6,928	$132,203	21.41 %	$19,082
2005	1,121	21,842	344	4,591	5,904	108,894	24.34	18,444
2003	848	15,910	239	2,735	5,127	87,580	26.86	17,082
2001	501	8,375	272	2,691	4,518	69,036	12.62	15,280
1999	685	11,458	292	2,504	4,289	61,301	25.29	14,293
1997	583	9,528	294	2,220	3,896	48,927	28.21	12,558

* Includes beneficiaries in receipt but excludes deferred vested terminations.

** Includes additional COLA allowances. The benefit amounts shown are the monthly benefits as of the valuation date annualized and are not the actual benefits paid during the fiscal year.

*** Excludes temporary inactive members.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

POLICE OFFICERS (aggregate compensation and annual allowance dollars in thousands)

ACTIVE MEMBERSHIP DATA

FISCAL YEAR	NUMBER OF ACTIVES***	AGGREGATE COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
2007	4,263	$233,348	$54,738	13.03%
2005	4,573	221,456	48,427	6.35
2003	4,305	196,022	45,534	9.50
2001	4,124	171,489	41,583	8.49
1999	3,600	137,981	38,328	4.30
1997	3,393	124,669	36,743	3.97

RETIRED MEMBERSHIP DATA

	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR			
FISCAL YEAR	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
2007	361	$13,353	80	$1,540	2,293	$67,601	21.17 %	$29,482
2005	308	8,934	83	1,492	2,012	55,788	17.68	27,728
2003	262	7,903	61	971	1,787	47,406	23.81	26,528
2001	280	6,085	63	960	1,586	38,290	25.58	24,142
1999	238	5,790	39	604	1,369	30,490	30.00	22,272
1997	167	3,252	54	648	1,170	23,450	22.39	20,043

FIREFIGHTERS (aggregate compensation and annual allowance dollars in thousands)

ACTIVE MEMBERSHIP DATA

FISCAL YEAR	NUMBER OF ACTIVES***	AGGREGATE COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
2007	1,588	$97,365	$61,313	7.70%
2005	1,599	91,029	56,929	9.72
2003	1,524	79,072	51,885	10.17
2001	1,433	67,485	47,094	8.57
1999	1,339	58,081	43,376	6.50
1997	1,289	52,500	40,729	4.68

RETIRED MEMBERSHIP DATA

	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR			
FISCAL YEAR	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
2007	131	$6,879	24	$1,066	1,168	$36,626	18.87 %	$31,358
2005	128	4,393	66	1,290	1,061	30,813	15.83	29,041
2003	142	4,747	49	1,067	999	26,602	30.26	26,629
2001	164	3,861	39	541	906	20,422	29.36	22,541
1999	108	2,684	41	514	781	15,787	25.03	20,214
1997	93	2,244	38	432	714	12,627	23.01	17,685

* Includes beneficiaries in receipt but excludes deferred vested terminations.

** Includes additional COLA allowances. The benefit amounts shown are the monthly benefits as of the valuation date annualized and are not the actual benefits paid during the fiscal year.

*** Excludes temporary inactive members.

Solvency Test

TOTAL OF ALL GROUPS

(dollars in thousands)

Fiscal Year	(1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	(1)	(2)	(3)
	Projected Liabilities For				Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits		
2007	$2,228,853	$3,210,280	$1,820,582	$4,862,256	100.00%	82.00%	0.00%
2006	$2,133,842	$2,962,579	$1,306,454	$3,928,270	100.00%	60.57%	0.00%
2005	$2,016,420	$2,745,323	$1,229,283	$3,610,800	100.00%	58.08%	0.00%
2004	$1,864,275	$2,320,071	$ 845,531	$3,575,641	100.00%	73.76%	0.00%
2003	$1,754,619	$2,123,689	$ 790,884	$3,500,037	100.00%	82.19%	0.00%
2002	$1,575,703	$1,862,864	$ 757,747	$3,443,395	100.00%	100.00%	0.64%
2001	$1,481,974	$1,675,941	$ 684,687	$3,264,901	100.00%	100.00%	15.63%
2000	$1,309,395	$1,536,578	$ 614,286	$3,109,734	100.00%	100.00%	42.94%
1999	$1,229,239	$1,464,941	$ 535,011	$2,886,526	100.00%	100.00%	35.95%
1998	$1,129,695	$1,278,159	$ 516,804	$3,167,053	100.00%	100.00%	100.00%

EMPLOYEES

(dollars in thousands)

Fiscal Year	(1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	(1)	(2)	(3)
	Projected Liabilities For				Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits		
2007	$ 797,627	$ 997,992	$ 528,538	$1,539,196	100.00%	74.31%	0.00%
2006	$ 774,995	$ 933,225	$ 385,860	$1,243,228	100.00%	50.17%	0.00%
2005	$ 730,153	$ 882,684	$ 348,588	$1,134,798	100.00%	45.84%	0.00%
2004	$ 643,680	$ 750,839	$ 254,683	$1,115,321	100.00%	62.82%	0.00%
2003	$ 613,838	$ 684,995	$ 233,606	$1,080,554	100.00%	68.13%	0.00%
2002	$ 553,104	$ 617,708	$ 207,327	$1,058,702	100.00%	81.85%	0.00%
2001	$ 505,941	$ 561,718	$ 192,915	$ 997,539	100.00%	87.52%	0.00%
2000	$ 436,460	$ 515,947	$ 166,567	$ 955,057	100.00%	100.00%	1.59%
1999	$ 419,864	$ 501,219	$ 131,556	$ 888,554	100.00%	93.51%	0.00%
1998	$ 381,408	$ 453,196	$ 129,150	$ 982,255	100.00%	100.00%	100.00%

TEACHERS

(dollars in thousands)

Fiscal Year	(1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	(1)	(2)	(3)
	Projected Liabilities For				Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits		
2007	$ 925,813	$1,200,541	$ 797,922	$1,925,913	100.00%	83.30%	0.00%
2006	$ 907,835	$1,103,495	$ 545,132	$1,589,546	100.00%	61.78%	0.00%
2005	$ 855,779	$1,013,677	$ 525,782	$1,471,609	100.00%	60.75%	0.00%
2004	$ 823,534	$ 828,111	$ 313,582	$1,468,207	100.00%	77.85%	0.00%
2003	$ 771,525	$ 752,787	$ 302,246	$1,452,513	100.00%	90.46%	0.00%
2002	$ 681,141	$ 650,033	$ 303,105	$1,427,057	100.00%	100.00%	31.63%
2001	$ 656,208	$ 578,020	$ 265,108	$1,355,757	100.00%	100.00%	45.84%
2000	$ 579,900	$ 547,844	$ 281,655	$1,293,907	100.00%	100.00%	59.00%
1999	$ 537,114	$ 528,764	$ 245,278	$1,190,269	100.00%	100.00%	50.71%
1998	$ 495,845	$ 450,786	$ 244,476	$1,301,650	100.00%	100.00%	100.00%

* Liabilities for active members are based on service as of the valuation date and projected compensation at the member's expected retirement date. Also includes terminated vested members.

** Based on Actuarial Value of Assets excluding Special Account and reserve for medical subsidy for Fiscal Years 1999 to current and based on Fair Value of Assets for Fiscal Years prior to 1999.

NOTE: Based on an 8.5% interest rate for fiscal years 2005 and later and a 9% interest rate for fiscal years prior to 2005.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

POLICE OFFICERS

(dollars in thousands)

Fiscal Year	Projected Liabilities For (1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits (1)	(2)	(3)
2007	$344,485	$655,803	$339,086	$934,744	100.00%	90.01%	0.00%
2006	$298,887	$605,087	$238,488	$734,904	100.00%	72.06%	0.00%
2005	$287,254	$550,848	$226,793	$674,715	100.00%	70.34%	0.00%
2004	$263,985	$478,420	$178,048	$669,858	100.00%	84.84%	0.00%
2003	$245,172	$444,271	$162,351	$656,154	100.00%	92.51%	0.00%
2002	$226,996	$388,254	$155,059	$647,996	100.00%	100.00%	21.12%
2001	$210,063	$352,193	$143,042	$616,370	100.00%	100.00%	37.83%
2000	$190,592	$316,404	$106,288	$581,843	100.00%	100.00%	70.42%
1999	$175,847	$291,465	$102,361	$545,198	100.00%	100.00%	76.09%
1998	$163,055	$250,584	$ 93,394	$603,742	100.00%	100.00%	100.00%

FIREFIGHTERS

(dollars in thousands)

Fiscal Year	Projected Liabilities For (1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits (1)	(2)	(3)
2007	$160,927	$355,944	$155,036	$462,403	100.00%	84.70%	0.00%
2006	$152,125	$320,772	$136,974	$360,952	100.00%	64.99%	0.00%
2005	$143,234	$298,114	$128,120	$329,678	100.00%	62.54%	0.00%
2004	$133,076	$262,701	$ 99,218	$322,255	100.00%	72.01%	0.00%
2003	$124,084	$241,636	$ 92,681	$310,816	100.00%	77.28%	0.00%
2002	$114,462	$206,869	$ 92,256	$309,640	100.00%	94.35%	0.00%
2001	$109,762	$184,010	$ 83,622	$295,235	100.00%	100.00%	1.75%
2000	$102,443	$156,383	$ 59,776	$278,927	100.00%	100.00%	33.63%
1999	$ 96,414	$143,493	$ 55,816	$262,505	100.00%	100.00%	40.49%
1998	$ 89,387	$123,593	$ 49,784	$279,406	100.00%	100.00%	100.00%

* Liabilities for active members are based on service as of the valuation date and projected compensation at the member's expected retirement date. Also includes terminated vested members.

** Based on Actuarial Value of Assets excluding Special Account and reserve for medical subsidy for Fiscal Years 1999 to current and based on Fair Value of Assets for Fiscal Years prior to 1999.

NOTE: Based on an 8.5% interest rate for fiscal years 2005 and later and a 9% interest rate for fiscal years prior to 2005.

This presentation shows the experience of actual financial results relative to expected results. It is an analysis which focuses on actuarial gains and losses over the most recent five actuarial valuations and reconciles the difference in the actuarial normal contribution rates from the expected to actual values.

RECONCILIATION OF EMPLOYER NORMAL RATE *

EMPLOYEES

YEAR ENDED	June 30 2007	June 30 2005	June 30 2003	June 30 2001	June 30 1999
Projected Normal Rate*	8.74%	6.06%	5.12%	4.14%	3.94%
Decremental Experience	—	.02	.08	.13	.15
Pensioner's Experience	—	.02	.04	.03	.01
Excess Salary Increases	—	(.01)	(.02)	—	(.05)
Method Change	0.98	—	—	—	—
Effect of Legislation	(0.57)	—	—	—	—
Asset (Gains)/Losses	(0.36)	.79	.65	.20	—
Current New Entrants	—	.04	—	(.05)	(.04)
Amendments	—	—	.08	—	—
Target Rate System Experience	—	1.03	—	—	—
Assumption Changes	0.41	.39	.06	.72	.18
Other (Gains)/Losses	(0.11)	.40	.05	(.05)	(.05)
ACTUAL NORMAL RATE	**9.09%**	**8.74%**	**6.06%**	**5.12%**	**4.14%**

TEACHERS

YEAR ENDED	June 30 2007	June 30 2005	June 30 2003	June 30 2001	June 30 1999
Projected Normal Rate *	8.93%	4.67%	3.44%	3.97%	4.11%
Decremental Experience	—	(.01)	(.04)	.04	.12
Pensioner's Experience	—	—	.03	.01	—
Excess Salary Increases	—	.09	.11	(.10)	(.15)
Method Change	0.82	—	—	—	—
Effect of Legislation	(0.72)	—	—	—	—
Asset (Gains)/Losses	(0.46)	1.52	1.03	.25	(.12)
Current New Entrants	—	.02	—	(.07)	(.07)
Amendments	—	—	.02	—	—
Target Rate System Experience	—	1.14	—	—	—
Assumption Changes	0.80	.90	(.10)	(.70)	.09
Other (Gains)/Losses	0.01	.60	.18	.04	(.01)
ACTUAL NORMAL RATE	**9.38%**	**8.93%**	**4.67%**	**3.44%**	**3.97%**

* Based on forecast valuations.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

This presentation shows the experience of actual financial results relative to expected results. It is an analysis which focuses on actuarial gains and losses over the most recent five actuarial valuations and reconciles the difference in the actuarial normal contribution rates from the expected to actual values.

RECONCILIATION OF EMPLOYER NORMAL RATE *

POLICE OFFICERS

YEAR ENDED	June 30 2007	June 30 2005	June 30 2003	June 30 2001	June 30 1999
Projected Normal Rate *	18.21%	12.33%	10.47%	8.20%	7.13%
Decremental Experience	—	.38	.32	.32	.34
Pensioner's Experience	—	.01	.05	.04	.05
Excess Salary Increases	—	(.12)	—	.37	—
Method Change	1.11	—	—	—	—
Effect of Legislation	(2.17)	—	—	—	—
Asset (Gains)/Losses	(0.90)	1.85	1.69	.60	.05)
Current New Entrants	—	.16	—	(.06)	(.01)
Amendments	—	—	.28	—	—
Target Rate System Experience	—	1.47	—	—	—
Assumption Changes	0.31	2.08	(.55)	1.24	.50
Other Asset (Gains)/Losses	0.78	.05	.07	(.24)	.14
ACTUAL NORMAL RATE	**17.34%**	**18.21%**	**12.33%**	**10.47%**	**8.20%**

FIREFIGHTERS

YEAR ENDED	June 30 2007	June 30 2005	June 30 2003	June 30 2001	June 30 1999
Projected Normal Rate *	24.49%	16.31%	14.41%	10.17%	8.30%
Decremental Experience	—	.04	.22	.38	.21
Pensioner's Experience	—	(.06)	(.06)	.12	.05
Excess Salary Increases	—	.17	.36	.57	.05
Method Change	2.48	—	—	—	—
Asset (Gains)/Losses	(1.05)	2.23	2.29	.67	.62
Effect of Legislation	(2.61)	—	—	—	—
Current New Entrants	—	.14	(.10)	(.06)	(.03)
Amendments	—	—	.33	—	—
Target Rate System Experience	—	6.22	—	—	—
Assumption Changes #	0.21	(.32)	(1.48)	2.67	.91
Other Asset (Gains)/Losses	(1.00)	(.24)	.34	(.11)	.06
ACTUAL NORMAL RATE	**22.52%**	**24.49%**	**16.31%**	**14.41%**	**10.17%**

* Based on forecast valuations.

Summary of Principal Plan Provisions As Interpreted For Valuation Purposes

1—GENERAL

Legal Plan Name	New Hampshire Retirement System.
Effective Date	July 1, 1967.
Membership	Prospectively, any employee, teacher, permanent police officer or permanent firefighter becomes a member as a condition of employment; except in the case of elected officials or officials appointed for fixed terms, membership is optional.
Average Final Compensation (AFC)	Average annual earnable compensation during highest 3 years of creditable service.
NOTE:	A more detailed description of the plan provisions is available from the System's administrative office.

2—BENEFITS

GROUP I MEMBERS (EMPLOYEES AND TEACHERS)

Service Retirement

Eligibility

Age 60 years.

Amount of Benefit

A member annuity equal to the actuarial equivalent of the member's accumulated contributions plus a state annuity.

Prior to the member's attainment of age 65, the state annuity, together with the member annuity, shall be equal to 1/60 of AFC multiplied by years of service.

After attainment of age 65, the state annuity, together with the member annuity, shall be equal to 1/66 of AFC multiplied by years of service.

Reduced Service Retirement

Eligibility

Age plus service of at least 70, provided the member has at least 20 years of service or age 50 with at least 10 years of service.

Amount of Benefit

Service retirement benefit is reduced by the following percents for each month that benefits commence prior to age 60.

Years of Service at Retirement	Monthly Percent Reduction
35 or more	1/8 of 1%
30–35	1/4 of 1%
25–30	1/3 of 1%
20–25	5/12 of 1%
less than 20	5/9 of 1%

Ordinary Disability Retirement

Eligibility

10 years of service and permanent disability.

Amount of Benefit

Service retirement benefit if age 60, otherwise a member annuity plus a state annuity which together equals 1.5% of AFC multiplied by the number of years of creditable service at the time of disability; provided that the benefit shall not be less than 25% of AFC.

Accidental Disability Retirement

Eligibility

Permanently disabled due to accident occurring while in the performance of duty.

Amount of Benefit

Service retirement benefit if age 60, otherwise a member annuity plus a state annuity which together equals 50% of AFC; provided that the benefit shall not be less than 50% of AFC.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Ordinary Death Benefit

Eligibility

Death, other than accidental death.

Amount of Benefit

(a) If 10 years of service or if eligible for service retirement and,

(i) if survived by a spouse, 50% of the service retirement benefit payable until death or remarriage;

(ii) if no surviving spouse or member designated a beneficiary other than a spouse, a lump sum equal to the greater of $3,600 or the member's annual compensation.

(b) If less than 10 years of service and if not eligible for service retirement, a lump sum equal to the greater of $3,600 or the member's annual compensation.

Accidental Death Benefit

Eligibility

Accidental death occurring while in the performance of duty.

Amount of Benefit

Benefit equal to 50% of AFC.

Vested Deferred Retirement

Eligibility

10 years of service, if no withdrawal of contributions.

Amount of Benefit

Payable at age 60, a member annuity plus a state annuity which together equals the service retirement benefit that would be payable after age 60. The benefit changes at age 65 as for service retirement. At any time after attainment of age 50, a member may have his benefit commence early, however, the benefit will be reduced for early commencement using the same early retirement reduction factors as described under reduced service retirement.

Return of Members' Contributions

(a) Upon termination of service other than for retirement or death, and if vested deferred retirement benefit has not been elected, the member's accumulated contributions are returned to him.

(b) Upon accidental death or upon other death for which no surviving spouse's benefit is payable, the member's accumulated contributions will be paid to the member's beneficiary or estate.

(c) Upon death prior to age 60 of a member on deferred vested retirement, the member's accumulated contributions will be paid to the member's beneficiary or estate.

(d) Upon death of a retired member (or the survivor of a retired member, if an optional benefit was elected), the excess of his accumulated contributions at retirement over the benefits received by the retired member (and, in the case of election of an optional benefit, the benefits received by the survivor) will be paid to the beneficiary or estate of the member.

Special Provisions Applicable to Certain Members Transferred from the Employees' Retirement System of the State of New Hampshire

Certain employee members transferred to the New Hampshire Retirement System effective January 1, 1976 have elected to have their benefits calculated on the basis of the provisions of the Predecessor System.

GROUP II MEMBERS (POLICE OFFICERS AND FIREFIGHTERS)

Service Retirement	
Eligibility	Age 45 and 20 years service or age 60 if earlier (age 65 before July 1,1989) regardless of number of years of service.
Amount of Benefit	A member annuity equal to the actuarial equivalent of the member's accumulated contributions plus a state annuity which together with the member annuity is equal to 2-1/2% of AFC times years of service, but not more than 40 years. Effective July 1, 1992, if a member retires on a full service retirement, the minimum annual benefit (prior to reduction for optional form of payment) is $10,000. The minimum annual benefit is reduced for benefits payable from Social Security and from any public body benefits.
Ordinary Disability Retirement	
Eligibility	10 years service and permanent disability.
Amount of Benefit	A member annuity plus a state annuity which together equals the service retirement benefit; provided that the benefit shall not be less than 25% of the member's annual compensation.
Accidental Disability Retirement	
Eligibility	Permanent disability occurring while in the performance of duty.
Amount of Benefit	A member annuity as for service retirement plus a state annuity which together with the member annuity is equal to 2/3 of AFC. If a member has completed more than 26-2/3 years of service, then a supplemental disability allowance will also be paid equal to 2-1/2% of AFC multiplied by service in excess of 26-2/3 years but not in excess of 40 years.
Ordinary Death Benefit	
Eligibility	Death other than accidental death.
Amount of Benefit	(a) If 10 years service or if eligible for service retirement and, (i) if survived by a spouse, 50% of the service retirement benefit payable until death or remarriage. (ii) if no surviving spouse or member designated a beneficiary other than a spouse, a lump sum equal to the greater of $3,600 or member's annual compensation. (b) If less than 10 years service and not eligible for service retirement, a lump sum equal to the greater of $3,600 or the member's annual compensation.
Accidental Death Benefit	
Eligibility	Accidental death occurring while in the performance of duty.
Amount of Benefit	50% of the annual rate of compensation payable first to spouse until death or remarriage, then to children under age 18 or if no spouse or children, to dependent parent.
Death after Retirement	Retirement Prior to April 1, 1987
	Lump sum of $3,600 unless accidental disability retirement, then surviving spouse receives 50% of the retired member's disability benefits payable until death or remarriage.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Retirement on or after April 1, 1987

Benefit payable to surviving spouse until death or remarriage equal to 50% of the member's service, ordinary disability or accidental disability retirement allowance if member was married on the date of retirement plus a lump sum. The lump sum shall be equal to:

If retired prior to July 1, 1988:	$ 3,600
If retired on or after July 1, 1988:	
If Group II member as of June 30, 1988	$10,000
If becomes a Group II member after June 30, 1988 and prior to July 1, 1993	$ 3,600

Special Death Benefit—Old Firefighter's System

Continuance of duty-connected disability benefits to spouse of deceased retired member payable until death or remarriage.

Vested Deferred Retirement

Eligibility

10 years of service, if no withdrawal of contributions.

Amount of Benefit

A benefit determined as for service retirement payable when the member would be age 45 with 20 years of service or age 60 if earlier.

Return of Members' Contributions

(a) Upon termination of service other than for retirement or death, and if vested deferred retirement has not been elected, the member's accumulated contributions are returned to the member.

(b) Upon accidental death or upon other death for which no surviving spouse's benefit is payable, the member's accumulated contributions will be paid to the member's beneficiary or estate.

(c) Upon death of a member on vested deferred retirement prior to the time benefits commence, the member's accumulated contributions will be paid to the member's beneficiary or estate.

(d) Upon death of the survivor of a member retired on accidental disability and his spouse in receipt of the accidental disability survivor benefit, the excess of the member's accumulated contributions at retirement over the benefits received by the member and the spouse will be paid to the beneficiary or estate.

(e) Upon death of a retired member (or the survivor of a retired member, if an optional benefit was elected), the excess of accumulated contributions at retirement over the benefits received by the retired member (and, in the case of election of an optional benefit, the benefits received by the survivor) will be paid to the beneficiary or estate of the member.

Benefits for Call Firefighters

Accidental Disability

Annual benefit not to exceed $1,250 if permanently disabled while in the performance of duty.

Accidental Death	Annual benefit not to exceed $1,250 if death as a result of injury received while in the performance of duty. Paid to spouse until death or remarriage, then to children until age 18 or if no spouse or children under 18, to the dependent parent.
Death after Accidental Disability	Upon death of a call firefighter receiving accidental disability benefits, the benefit will continue to be paid to the spouse until death or remarriage, then to children under age 18.

3—CONTRIBUTIONS

GROUP I MEMBERS (EMPLOYEES AND TEACHERS)

By Members	5.00% of compensation.
By Employer	
For Employee Members	100% of the normal contribution rate for their employees, plus accrued liability contributions, if any.
For Teacher Members	65% of the normal contribution rate for their employees, plus 65% of accrued liability, if any.
By the State	
For Employee Members	100% of the normal contribution rate for its employees, plus accrued liability contributions, plus any deliquent accrued liability contributions.
For Teacher Members	35% of the normal contribution rate for the employees of the employing subdivisions, plus 35% of the accrued liability contributions, if any, plus any delinquent accrued liability contributions. In the case of teacher members employed by the state, the state shall pay 100% of both normal and accrued liability contributions, if any.

GROUP II MEMBERS (POLICE OFFICERS AND FIREFIGHTERS)

By Members	
Police Officers and Firefighters	9.30% of compensation.
Call Firefighters	$6 per year (not refundable).
By Employing Subdivisions	65% of the normal contribution rate for their employees.
By the State	35% of the normal contribution rate for the employees of the employing subdivision plus 35% of accrued liability contributions, in any, plus any delinquent accrued liability contributions. In the case of Group II members employed by the state, the state shall pay 100% of both the normal and accrued liability contributions, if any.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

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CLICK HERE TO RETURN TO TABLE OF CONTENTS

Statistical Section

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Schedules of Changes in Net Assets

CHANGES IN NET ASSETS — PENSION PLAN
LAST TEN FISCAL YEARS

(in thousands)

	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Additions:					
Employer Contributions	$ 120,438	$109,372	$ 89,459	$ 80,557	$ 59,172
Member Contributions	272,369	147,821	145,706	129,087	117,412
Net Investment Income (Loss)	769,701	417,927	373,602	500,511	47,862
Postemployment Medical Plan Transfers on Behalf of Employers	58,201	61,449	43,595	43,083	29,305
Net Asset Transfers	295,392	—	—	—	—
Other	86	745	1,198	817	890
Total Additions to Plan Net Assets	**1,516,187**	**737,314**	**653,560**	**754,055**	**254,641**
Deductions:					
Pension Benefits	$ 344,851	$316,637	$291,915	$267,007	$244,725
Refunds of Contributions	34,080	29,382	19,991	16,781	15,223
Administrative Expense	5,607	4,799	4,314	4,924	4,619
Professional Fees	665	965	705	625	606
Other	1,775	1,807	3,313	2,003	1,830
Total Deductions from Plan Net Assets	**386,978**	**953,590**	**320,238**	**291,340**	**267,003**
Change in Plan Net Assets	**$1,129,209**	**$383,724**	**$333,322**	**$462,715**	**($ 12,362)**

	FY 2002	FY 2001	FY 2000	FY 1999	FY 1998
Additions:					
Employer Contributions	$ 57,558	$ 56,339	$ 61,791	$ 58,183	$ 55,923
Member Contributions	103,211	93,999	88,237	81,568	77,395
Net Investment Income (Loss)	(288,289)	(330,304)	591,105	484,124	516,692
Postemployment Medical Plan Transfers on Behalf of Employers	25,958	18,317	8,037	3,159	3,043
Other	1,894	5,243	6,512	4,375	5,266
Total Additions to Plan Net Assets	**(99,668)**	**(156,406)**	**665,682**	**631,407**	**658,330**
Deductions:					
Pension Benefits	$ 224,412	$200,116	$177,489	$156,436	$139,726
Refunds of Contributions	15,278	16,979	19,485	17,411	16,939
Net Asset Transfers	160,374	64,437	108,000	36,100	—
Administrative Expense	4,263	4,074	3,191	3,218	4,485
Professional Fees	389	576	830	600	617
Other	811	601	404	206	87
Total Deductions from Plan Net Assets	**405,527**	**286,783**	**309,399**	**213,971**	**161,854**
Change in Plan Net Assets	**($505,195)**	**($443,189)**	**$356,283**	**$417,436**	**$496,476**

CHANGES IN NET ASSETS — OPEB PLANS
LAST TEN FISCAL YEARS

(in thousands)

	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Additions:					
Employer Contributions	$ 58,201	$ 61,449	$ 43,595	$43,083	$29,305
Net Investment Income (Loss)	69,284	42,272	40,092	58,282	4,342
Other	944	75	1,807	1,783	1,632
Total Additions to Plan Net Assets	**$128,429**	**103,796**	**85,494**	**103,148**	**35,279**
Deductions:					
Benefits Paid	46,753	41,639	37,202	32,492	27,907
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	58,201	61,449	43,595	43,083	29,305
Net Asset Transfers	295,392	—	—	—	—
Administrative Expense	498	485	463	573	419
Professional Fees	40	98	76	73	55
Other	1,094	183	176	37	25
Total Deductions from Plan Net Assets	**401,978**	**103,854**	**81,512**	**76,258**	**57,711**
Change in Plan Net Assets	**($273,549)**	**($58)**	**$ 3,982**	**$26,890**	**($22,432)**

	FY 2002	FY 2001	FY 2000	FY 1999	FY 1998
Additions:					
Employer Contributions	$ 25,958	$ 18,317	$ 8,037	$ 3,159	$ 3,043
Net Investment Income (Loss)	(34,537)	(26,826)	25,434	22,362	18,030
Net Asset Transfers	160,374	64,437	108,000	36,100	—
Other	227	426	331	202	184
Total Additions to Plan Net Assets	**$152,022**	**56,354**	**141,802**	**61,823**	**21,257**
Deductions:					
Benefits Paid	$ 24,009	$ 13,070	$ 8,124	$ 5,147	$ 4,574
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	25,958	18,317	8,037	3,159	3,043
Administrative Expense	511	331	162	149	157
Professional Fees	47	47	42	27	22
Other	97	49	20	10	4
Total Deductions from Plan Net Assets	**50,622**	**31,814**	**16,385**	**8,492**	**7,800**
Change in Plan Net Assets	**$101,400**	**$ 24,540**	**$125,417**	**$53,331**	**$13,457**

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Schedule of Benefit Payments By Type

BENEFIT AND REFUND DEDUCTIONS BY TYPE — PENSION PLAN LAST TEN FISCAL YEARS

(in thousands)

	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Type of Benefit					
Age and Service Benefits:					
Service Retirement	$190,973	$176,207	$164,415	$152,955	$140,988
Early Retirement	86,655	78,718	71,299	62,194	54,024
Survivors	19,915	18,438	16,908	15,234	13,507
Vested Deferred	16,054	14,064	12,373	11,022	9,616
Other	3,959	3,163	2,284	1,498	1,407
Death in Service Benefit	2,456	2,383	2,134	2,549	4,620
Disability Benefits					
Duty Related	16,198	15,575	14,785	14,246	13,506
Non Duty Related	7,253	6,753	6,452	6,200	6,012
Survivors	1,388	1,336	1,265	1,109	1,045
Total Benefits	**$344,851**	**$316,637**	**$291,915**	**$267,007**	**$244,725**
Type of Refund					
Separation	$ 31,502	$ 26,630	$ 16,992	$ 16,781	$ 15,278
Death	2,578	2,752	2,999	—	—
Total Refunds	**$ 34,080**	**$ 29,382**	**$ 19,991**	**$ 16,781**	**$ 15,278**

	FY 2002	FY 2001	FY 2000	FY 1999*	FY 1998*
Type of Benefit					
Age and Service Benefits:					
Service Retirement	$131,838	$119,877	$107,723	—	—
Early Retirement	47,064	40,336	34,056	—	—
Survivors	12,391	10,603	8,452	—	—
Vested Deferred	8,603	7,406	6,334	—	—
Other	1,227	1,108	821	—	—
Death in Service Benefit	3,740	3,139	4,406	—	—
Disability Benefits					
Duty Related	12,816	11,695	10,415	—	—
Non Duty Related	5,730	5,017	4,431	—	—
Survivors	1,003	935	851	—	—
Total Benefits	**$224,412**	**$200,116**	**$177,489**	**$ —**	**$ —**
Type of Refund					
Separation	$ 16,979	$ 16,979	$ 19,485		
Death					
Total Benefits	**$ 16,979**	**$ 16,979**	**$ 19,485**	**$ —**	**$ —**

*Data for fiscal years 1999 and 1998 not available.

 CLICK HERE TO RETURN TO TABLE OF CONTENTS

BENEFIT AND REFUND DEDUCTIONS BY TYPE — OPEB PLANS
LAST TEN FISCAL YEARS

(in thousands)

	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Type of Benefit					
Medical Subsidy Payments	$ 46,753	$ 41,639	$ 37,202	$ 32,492	$ 27,907
Total Benefits	**$ 46,753**	**$ 41,639**	**$ 37,202**	**$ 32,492**	**$ 27,907**

	FY 2002	FY 2001	FY 2000	FY 1999	FY 1998
Type of Benefit					
Medical Subsidy Payments	$ 24,009	$ 13,070	$ 8,124	$ 5,147	$ 4,574
Total Benefits	**$ 24,009**	**$ 13,070**	**$ 8,124**	**$ 5,147**	**$ 4,574**

Schedule of Retired Members By Type of Benefit

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFITS AS OF JUNE 30, 2007
PENSION PLAN

		Type of Retirement*						
Amount of Monthly Benefit	Number of Retirees	1	2	3	4	5	6	7
EMPLOYEES								
$1–250	1,533	1,254	7	—	3	—	269	1
251–500	2,207	1,948	48	1	2	—	208	—
501–750	1,800	1,471	148	25	1	1	154	—
751–1,000	1,569	1,166	94	140	4	2	163	—
1,001–1,250	1,046	809	34	136	2	1	59	1
1,251–1,500	747	622	13	63	—	2	47	4
1,501–1,750	530	454	5	36	2	1	32	8
1,751–2,000	364	315	6	19	—	2	22	12
Over 2,000	1,068	973	7	23	—	2	63	502
Totals	**10,859**	**9,012**	**362**	**443**	**14**	**11**	**1,017**	528
TEACHERS								
$1–250	217	194	—	—	—	—	23	2
251–500	525	496	—	—	—	—	29	—
501–750	556	519	5	—	1	—	31	—
751–1,000	663	560	62	—	—	—	41	—
1,001–1,250	606	533	41	2	4	—	26	—
1,251–1,500	616	563	19	3	—	1	30	—
1,501–1,750	613	574	14	3	2	—	20	—
1,751–2,000	642	607	7	3	2	1	22	—
Over 2,000	2,490	2,395	20	5	4	1	65	477
Totals	**6,928**	**6,441**	**168**	**16**	**13**	**3**	**287**	480
POLICE OFFICERS								
$1–250	56	50	1	—	—	1	4	1
251–500	92	47	—	—	—	2	43	—
501–750	94	60	2	—	—	—	32	—
751–1,000	153	82	14	8	—	3	46	—
1,001–1,250	143	92	11	2	—	—	38	—
1,251–1,500	120	72	11	9	—	1	27	—
1,501–1,750	26	88	7	17	—	1	13	—
1,751–2,000	152	103	4	33	—	—	12	—
Over 2,000	1,357	1,121	4	184	1	7	40	37
Totals	**2,293**	**1,715**	**54**	**253**	**1**	**15**	**255**	38
FIREFIGHTERS								
$1–250	9	6	—	1	—	1	1	—
251–500	24	14	—	—	—	3	7	—
501–750	43	14	—	—	—	—	29	—
751–1,000	45	18	1	—	—	—	26	—
1,001–1,250	80	28	5	4	—	5	38	—
1,251–1,500	72	35	2	11	—	1	23	—
1,501–1,750	84	52	6	7	—	3	16	—
1,751–2,000	171	40	4	13	—	1	13	—
Over 2,000	740	633	5	65	2	4	31	3
Totals	**1,168**	**840**	**23**	**101**	2	**18**	**184**	3

* Type of Retirement: 1—Service and early retirement. 2—Ordinary disability retirement. 3—Accidental disability retirement. 4—Ordinary death in active service. 5—Accidental death in active service. 6—Beneficiaries of deceased members who retired on a service or disability allowance. 7—Vested member with future benefit

CLICK HERE TO RETURN TO TABLE OF CONTENTS

				Option Selected #					
No Option	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8	Option 9
998	116	123	23	224	45	3	1	—	—
1,335	171	137	46	422	91	4	1	—	—
1,077	90	118	48	345	116	4	2	—	—
901	122	99	46	294	105	2	—	—	—
576	64	76	43	195	87	—	—	—	—
350	52	71	34	158	79	2	1	—	—
245	23	54	22	143	42	1	—	—	—
168	13	45	17	98	23	—	—	—	—
359	43	133	59	348	124	1	1	—	—
6,009	**694**	**856**	**338**	**2,227**	**712**	**17**	**6**	**—**	**—**
121	11	10	8	48	16	—	3	—	—
307	68	27	7	91	22	2	1	—	—
326	67	36	3	98	25	1	—	—	—
355	116	23	24	114	29	2	—	—	—
337	54	40	16	117	41	1	—	—	—
287	42	47	19	160	61	—	—	—	—
262	45	50	16	180	55	1	4	—	—
293	27	53	25	172	70	—	2	—	—
1,064	135	194	90	730	272	—	5	—	—
3,352	**565**	**480**	**208**	**1,710**	**591**	**7**	**15**	**—**	**—**
30	—	5	8	5	8	—	—	—	—
67	1	1	8	3	12	—	—	—	—
69	4	4	5	4	8	—	—	—	—
112	7	7	7	5	15	—	—	—	—
91	6	6	9	9	22	—	—	—	—
76	6	4	4	13	17	—	—	—	—
68	10	5	10	7	25	1	—	—	—
90	10	3	18	9	22	—	—	—	—
491	74	24	292	52	424	—	—	—	—
1,094	**118**	**59**	**361**	**107**	**553**	**1**	**—**	**—**	**—**
5	—	—	1	1	2	—	—	—	—
18	—	2	—	1	3	—	—	—	—
39	—	—	1	1	2	—	—	—	—
38	—	2	2	—	3	—	—	—	—
65	5	3	1	3	3	—	—	—	—
48	7	6	5	2	4	—	—	—	—
49	9	3	9	6	8	—	—	—	—
39	8	5	4	6	9	—	—	—	—
256	40	14	144	18	267	—	1	—	—
557	**69**	**35**	**167**	**38**	**301**	**—**	**1**	**—**	**—**

#Option Selected: No option—Straight life. Option 1—Cash refund. Option 2—100% Joint & Survivorship. Option 3—50% Joint & Survivorship. Option 4—100% Pop-Up. Option 5—50% Pop-Up. Option 6—Other % Joint & Survivorship. Option 7—Other % Pop-Up. Option 8—Fixed amount to Beneficiaries. Option 9—Widow's benefit (accidental disability) 50%

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFITS AS OF JUNE 30, 2007
OPEB PLANS

		One Person		Two Person	
Amount of Monthly Benefit	Number of Retirees	Pre 65	Post 65	Pre 65	Post 65
GROUP II POLICE OFFICERS & FIREFIGHTERS					
$1–250	439	2	436	—	1
251–500	748	351	369	19	9
501–750	204	20	172	9	3
751–1,000	899	83	1	808	7
1,001–1,250	20	2	3	13	2
1,251–1,500	5	—	—	5	—
1,501–1,750	3	—	—	3	—
1,751–2,000	—	—	—	—	—
Over 2,000	1	1	—	—	—
Totals	**2,319**	**459**	**981**	**857**	**22**
GROUP I TEACHERS					
$1–250	1,079	1	1,077	—	1
251–500	1,223	460	718	5	40
501–750	316	52	239	1	24
751–1,000	595	262	12	258	63
1,001–1,250	69	12	11	30	16
1,251–1,500	20	3	—	17	—
1,501–1,750	9	4	—	5	—
1,751–2,000	—	—	—	—	—
Over 2,000	—	—	—	—	—
Totals	**3,311**	**794**	**2,057**	**316**	**144**
GROUP I POLITICAL SUBDIVISION EMPLOYEES					
$1–250	348	2	344	—	2
251–500	399	89	306	2	2
501–750	109	27	82	—	—
751–1,000	136	47	1	80	8
1,001–1,250	4	—	1	3	—
1,251–1,500	3	1	—	2	—
1,501–1,750	—	—	—	—	—
1,751–2,000	—	—	—	—	—
Over 2,000	—	—	—	—	—
Totals	**999**	**166**	**734**	**87**	**12**
GROUP I STATE EMPLOYEES					
$1–250	857	1	855	—	1
251–500	969	209	707	1	52
501–750	256	41	211	1	3
751–1,000	287	1	—	255	31
1,001–1,250	3	—	2	—	1
1,251–1,500	—	1	—	—	—
1,501–1,750	3	—	—	2	—
1,751–2,000	—	—	—	—	—
Over 2,000	—	—	—	—	—
Totals	**2,375**	**253**	**1,775**	**259**	**88**

CLICK HERE TO RETURN TO TABLE OF CONTENTS

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CLICK HERE TO RETURN TO TABLE OF CONTENTS

Schedules of Average Benefit Payment Amounts

SCHEDULES OF AVERAGE BENEFIT PAYMENT AMOUNTS — PENSION PLAN*#

EMPLOYEES

2007 Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	685*	1,240	2,745	1,885
Annual Benefits	$2,547,875	$4,944,987	$16,687,328	$16,677,011
Avg. Monthly Benefit	$310	$332	$507	$737

* Includes 81 members who did not have service reported.

2005 Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	694*	1,208	2,595	1,723
Annual Benefits	$2,484,052	$4,664,969	$15,373,143	$14,746,749
Avg. Monthly Benefit	$298	$322	$494	$713

* Includes 83 members who did not have service reported.

2003 Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	605*	1,203	2,414	1,592
Annual Benefits	$1,921,426	$4,332,429	$13,785,997	$12,861,737
Avg. Monthly Benefit	$265	$300	$476	$673

* Includes 25 members who did not have service reported.

2001 Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	560*	1,191	2,218	1,482
Annual Benefits	$1,610,278	$3,963,804	$11,520,730	$11,135,995
Avg. Monthly Benefit	$240	$277	$433	$626

* Includes 19 members who did not have service reported.

1999 Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	621*	1,198	2,064	1,379
Annual Benefits	$1,579,858	$3,713,011	$9,799,710	$9,758,421
Avg. Monthly Benefit	$212	$258	$396	$590

* Includes 16 members who did not have service reported.

TEACHERS

2007 Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	103*	163	842	855
Annual Benefits	$484,780	$801,426	$6,074,213	$9,378,766
Avg. Monthly Benefit	$392	$410	$601	$914

* Includes 37 members who did not have service reported.

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	129*	141	753	759
Annual Benefits	$601,233	$665,012	$5,321,435	$8,086,882
Avg. Monthly Benefit	$388	$393	$589	$888

* Includes 77 members who did not have service reported.

2003 Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	62*	133	682	695
Annual Benefits	$260,937	$576,362	$4,523,062	$6,885,922
Avg. Monthly Benefit	$351	$361	$553	$826

* Includes 18 members who did not have service reported.

2001 Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	54*	132	630	674
Annual Benefits	$222,368	$526,185	$3,851,336	$6,106,854
Avg. Monthly Benefit	$343	$332	$509	$755

* Includes 14 members who did not have service reported.

1999 Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	58*	138	624	661
Annual Benefits	$224,987	$513,560	$3,537,762	$5,617,830
Avg. Monthly Benefit	$323	$310	$472	$708

* Includes 12 members who did not have service reported.

* Since biennial valuations are prepared, the data is available for odd years only.
# Data for average “Average Final Compensation” is not available.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

			2007			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
1,666	966	987	513	142	30	10,859
$20,310,465	$15,727,839	$20,971,919	$13,767,415	$3,96,705	$827,524	$116,429,068
$1,016	$1,357	$1,771	$2,236	$2,328	$2,299	$893

			2005			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
1,444	857	860	437	125	30	9,973
$17,176,875	$13,643,352	$17,763,988	$11,157,697	$3,155,346	$693,224	$100,859,395
$991	$1,327	$1,721	$2,128	$2,104	$1,926	$843

			2003			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
1,277	735	720	384	128	34	9,092
$14,557,371	$10,796,596	$13,885,667	$9,263,470	$2,911,604	$751,115	$85,067,412
$950	$1,224	$1,607	$2,010	$1,896	$1,841	$780

			2001			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
1,135	655	620	382	129	34	8,406
$12,014,838	$8,945,159	$11,142,144	$8,303,707	$2,697,708	$690,484	$72,024,847
$882	$1,138	$1,498	$1,811	$1,743	$1,692	$714

			1999			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
988	590	570	361	125	32	7,928
$9,522,768	$7,472,894	$9,601,520	$7,208,456	$2,256,792	$587,964	$61,501,394
$803	$1,055	$1,404	$1,664	$1,505	$1,531	$646

			2007			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
1,390	1,245	1,477	745	101	7	6,928
$22,089,437	$25,885,052	$39,082,461	$24,656,149	$3,467,980	$282,488	$132,202,752
$1,324	$1,733	$2,205	$2,758	$2,861	$3,363	$1,590

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
1,157	1,028	1,260	581	87	9	5,904
$18,121,765	$21,314,216	$33,016,638	$18,684,276	$2,760,968	$321,354	$108,893,780
$1,305	$1,728	$2,184	$2,680	$2,645	$2,976	$1,537

			2003			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
1,013	900	1,039	499	95	9	5,127
$14,867,663	$17,477,897	$25,321,122	$14,619,097	$2,732,985	$315,023	$87,580,070
$1,223	$1,618	$2,031	$2,441	$2,397	$2,917	$1,424

			2001			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
893	784	825	424	89	13	4,518
$11,992,815	$14,030,089	$18,567,637	$11,162,971	$2,224,227	$351,268	$69,035,750
$1,119	$1,491	$1,876	$2,194	$2,083	$2,252	$1,273

			1999			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
852	724	738	383	92	19	4,289
$10,874,303	$12,457,317	$16,052,553	$9,604,336	$2,027,011	$390,970	$61,300,629
$1,064	$1,434	$1,813	$2,090	$1,836	$1,715	$1,191

CLICK HERE TO RETURN TO TABLE OF CONTENTS

SCHEDULES OF AVERAGE BENEFIT PAYMENT AMOUNTS — PENSION PLAN*#

POLICE OFFICERS

2007

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	162*	130	264	225
Annual Benefits	$1,661,296	$1,893,334	$4,507,094	$5,138,209
Avg. Monthly Benefit	$855	$1,214	$1,423	$1,903

* Includes 74 members who did not have service reported.

2005

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	153*	123	237	204
Annual Benefits	$1,418,173	$1,881,382	$4,145,857	$4,487,566
Avg. Monthly Benefit	$772	$1,275	$1,458	$1,833

* Includes 57 members who did not have service reported.

2003

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	127*	114	215	175
Annual Benefits	$1,213,363	$1,781,697	$3,828,391	$3,686,768
Avg. Monthly Benefit	$796	$1,302	$1,484	$1,756

* Includes 39 members who did not have service reported.

2001

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	113*	102	188	155
Annual Benefits	$996,163	$1,513,767	$3,056,531	$3,062,168
Avg. Monthly Benefit	$735	$1,237	$1,355	$1,646

* Includes 28 members who did not have service reported.

1999

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	104*	91	172	138
Annual Benefits	$998,628	$1,299,420	$2,524,099	$2,624,209
Avg. Monthly Benefit	$800	$1,190	$1,223	$1,585

* Includes 24 members who did not have service reported.

FIREFIGHTERS

2007

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	67*	22	73	108
Annual Benefits	$742,989	$337,650	$1,332,871	$2,455,117
Avg. Monthly Benefit	$924	$1,279	$1,522	$1,894

* Includes 47 members who did not have service reported.

2005

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.	20 - 24 yrs.
Total Retirees		51*	23	71	101
Annual Benefits		$610,210	$355,945	$1,250,367	$2,237,751
Avg. Monthly Benefit		$997	$1,290	$1,468	$1,846

* Includes 40 members who did not have service reported.

2003

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	33*	21	65	107
Annual Benefits	$350,147	$333,039	$1,131,339	$2,255,752
Avg. Monthly Benefit	$884	$1,322	$1,450	$1,757

* Includes 21 members who did not have service reported.

2001

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	25*	20	59	101
Annual Benefits	$221,619	$276,649	$891,670	$1,830,685
Avg. Monthly Benefit	$739	$1,153	$1,259	$1,510

* Includes 14 members who did not have service reported.

1999

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	19*	27	54	93
Annual Benefits	$151,462	$351,971	$751,848	$1,606,161
Avg. Monthly Benefit	$664	$1,086	$1,160	$1,439

* Includes 8 members who did not have service reported.

* Since biennial valuations are prepared, the data is available for odd years only.

\# Data for average "Average Final Compensation" is not available.

CLICK HERE TO RETURN TO TABLE OF CONTENTS

2007

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
959	411	122	13	5	2	2,293
$30,307,511	$16,669,404	$6,258,686	$761,482	$330,337	$73,782	$67,601,135
$2,634	$3,380	$4,275	$4,881	$5,506	$3,074	$2,457

2005

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
849	345	90	5	5	1	2,012
$25,944,580	$12,948,555	$4,303,644	$288,178	$319,868	$50,295	$55,788,098
$2,547	$3,128	$3,985	$4,803	$5,331	$4,191	$2,311

2003

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
766	297	81	6	5	1	1,787
$22,462,329	$10,249,061	$3,555,230	$293,413	$306,329	$29,871	$47,406,452
$2,444	$2,876	$3,658	$4,075	$5,105	$2,489	$2,211

2001

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
680	262	73	8	4	1	1,586
$18,387,201	$7,947,885	$2,782,670	$310,271	$204,734	$28,711	$38,290,101
$2,253	$2,528	$3,177	$3,232	$4,265	$2,393	$2,012

1999

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
600	196	58	7	3	—	1,369
$15,169,104	$5,554,529	$2,006,955	$171,328	$141,829	—	$30,490,101
$2,107	$2,362	$2,884	$2,040	$3,940	—	$1,856

2007

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
488	297	86	23	4	—	1,168
$13,783,762	$12,337,194	$4,211,638	$1,224,904	$199,553	—	$36,625,678
$2,354	$3,462	$4,081	$4,438	$4,157	—	$2,613

2005

25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total	
474	257	66	14	4	—	1,061
$12,898,940	$9,718,107	$2,924,622	$600,969	$216,247	—	$30,813,158
$2,268	$3,151	$3,693	$3,577	$4,505	—	$2,420

2003

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
459	240	57	13	4	—	999
$11,763,930	$8,038,005	$2,130,701	$448,361	$150,629	—	$26,601,903
$2,136	$2,791	$3,115	$2,874	$3,138	—	$2,219

2001

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
429	196	56	14	6	—	906
$9,448,407	$5,308,669	$1,827,349	$396,861	$220,267	—	$20,422,176
$1,835	$2,257	$2,719	$2,362	$3,059	—	$1,878

1999

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
382	140	45	16	5	—	781
$7,719,756	$3,245,859	$1,374,635	$442,477	$142,558	—	$15,786,727
$1,684	$1,932	$2,546	$2,305	$2,376	—	$1,684

CLICK HERE TO RETURN TO TABLE OF CONTENTS

SCHEDULES OF AVERAGE BENEFIT PAYMENT AMOUNTS — OPEB PLANS*

GROUP II — POLICE OFFICERS AND FIREFIGHTERS

	2007			
Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	51**	77	175	181
Annual Benefits	$257,860	$402,482	$1,012,913	$998,782
Avg. Monthly Benefit	$421	$436	$482	$460

**Includes 11 members who did not have service reported.

GROUP I — TEACHERS

	2007			
Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	8**	1	5	2
Annual Benefits	$28,759	$4,173	$24,135	$10,526
Avg. Monthly Benefit	$300	$348	$402	$439

**Includes 8 members who did not have service reported.

GROUP I — POLITICAL SUBDIVISION EMPLOYEES

	2007			
Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	13**	10	15	5
Annual Benefits	$48,722	$39,286	$83,195	$21,504
Avg. Monthly Benefit	$312	$327	$462	$358

**Includes 10 members who did not have service reported.

GROUP I — STATE EMPLOYEES

	2007			
Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	187**	76	93	54
Annual Benefits	$838,008	$455,030	$456,490	$274,872
Avg. Monthly Benefit	$373	$499	$409	$424

**Includes 115 members who did not have service reported.

*Data for Fiscal Year 2007 is the only data currently available. Data for future fiscal years will be added prospectively.

2007						
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
1,080	549	170	27	8	1	2,319
$6,377,170	$3,437,412	$1,020,156	$135.639	$25,225	$4,173	$13,671,812
$492	$522	$500	$419	$263	$348	$491

2007						
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
754	737	1,112	603	83	6	3,311
$3,465,731	$3,611,050	$6,355,084	$3,399,394	$342,336	$18,421	$17,259,609
$383	$408	$476	$470	$344	$256	$434

2007						
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
442	243	171	72	21	7	999
$2,100,042	$1,094,540	$981,376	$361,014	$123,507	$26,767	$4,879,953
$396	$375	$478	$418	$490	$319	$407

2007						
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
570	437	536	306	98	18	2,375
$2,281,923	$1,965,753	$2,696,756	$1,500,281	$414,525	$57,591	$10,941,229
$334	$375	$419	$409	$352	$267	$384

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Principal Participating Employers

PRINCIPAL PARTICIPATING EMPLOYERS — PENSION PLAN CURRENT YEAR AND NINE YEARS AGO

	As Of June 30, 2007			As Of June 30, 2004**		
Participating Government	# of Covered Employees	Rank	Percentage of Total System	# of Covered Employees	Rank	Percentage of Total System
State of New Hampshire	12,165	1	23.94%	11,768	1	23.33%
Manchester School District	1,463	2	2.88%	1,396	2	2.77%
SAU 42 (Nashua School District)	1,297	3	2.55%	1,313	3	2.60%
Timberlane School District	662	4	1.30%	645	4	1.28%
Merrimack School District	654	5	1.30%	481	9	0.95%
Concord School District	615	6	1.21%	623	5	1.24%
Londonderry School District	610	7	1.20%	593	7	1.18%
SAU 54 (Rochester School District)	583	8	1.15%	588	8	1.17%
City of Nashua	569	9	1.12%	603	6	1.20%
Merrimack County	566	10	1.11%	479	10	0.95%
All Other*	31,618		62.24%	31,931		63.33%
Total (474 Governments)	**50,802**		**100.00%**	**50,420**		**100.00%**

*As of June 30, 2007, "All Other" consisted of:

Type	Number	Employees
State Government	4	113
City Governments	12	2,733
Town Governments & Related Entities	240	5,597
County Governments & Related Entities	11	2,744
School Districts & School Administrative Units	199	20,431
Total	**466**	**31,618**

**Data for nine years ago is not available due to changes in accounting systems. Data for June 30, 2004 will be reported prospectively until such time as data is available for nine years ago.

A full list of participating employers as of June 30, 2007 begins on the following page.

STATE GOVERNMENT

State of New Hampshire E, P, F

Community Development Finance Authority E

Land & Community Heritage Investment Program E

New Hampshire Retirement System E

Pease Development Authority E

CITIES AND TOWNS (AND RELATED ENTITIES)

Albany E

Alexandria E, P

Allenstown E, P, F

Allenstown Sewer Commission E

Alstead P

Alton E, P, F

Amherst P, F

Andover P

Androscoggin Valley Regional Refuse Disposal Dist. E

Antrim E, P

Ashland E, P

Ashland Electric Department E

Atkinson E, P

Auburn E, P, F

Baker Free Library E

Barnstead E, P, F

Barrington E, P

Bartlett P, F

BCEP Solid Waste District E

Bedford E, P, F

Belmont E, P, F

Bennington E, P

Berlin E, P, F

Berlin Housing Authority E

Berlin Water Works E

Bethlehem E, P

Boscawen E, P

Bow E, P, F

Bradford P

Brentwood E, P, F

Bridgewater P

Bristol E, P, F

Brookline E, P, F

Brookline Public Library E

Campton E, P

Campton-Thornton Fire Department F

Canaan E, P

Candia P

Canterbury E, P

Carroll E, P, F

Center Harbor P

Central Hooksett Water Precinct E

Charlestown E, P

Chester E, P, F

Chesterfield E, P

Chichester P

Claremont E, P, F

Clarksville E

Colebrook E, P

Concord E, P, F

Concord Regional Solid Waste Resource Recovery Facility E

Conway E, P

Conway Village Fire District E, F

Cornish E

Danville P

Deerfield E, P

Deering P

Derry E, P, F

Derry Housing Authority E

Dorchester E

Dover E, P, F

Dover Housing Authority E

Dublin E, P

Dunbarton E, P

Durham E, P, F

East Kingston E, P, F

Effingham P

Eidelweiss Village District E

Enfield E, P

Epping E, P, F

Epsom E, P, F

Exeter E, P, F

Farmington P, F

Fitzwilliam E, P

Francestown E, P

Franconia P

Franklin E, P, F

Freedom P

Fremont P

Gilford E, P, F

Gilmanton E, P, F

Goffstown E, P, F

Goffstown Village Water Precinct E

Gorham E, P, F

Goshen E, P

Grafton E, P

Grantham E, P

Greenfield E, P

Greenland E, P

Greenville E, P

Groton E, P

Hampstead E, P, F

Hampton E, P, F

Hampton Falls E, P, F

Hancock P

Hanover E, P, F

Harrisville P

Haverhill E, P

Hebron E, P

Henniker E, P, F

Hillsborough P, F

Hinsdale E, P

Holderness E, P, F

Hollis E, P, F

KEY: E – Employees T – Teachers P – Police Officers F – Firefighters
SAU – School Administrative Unit

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Hooksett E, P, F
Hooksett Public Library E
Hooksett Sewer Commission E
Hooksett Village Water Precinct E
Hopkinton E, P, F
Hudson E, P, F
Jackson E, P
Jaffrey E, P, F
Keene E, P, F
Kensington P
Kingston E, F, P
Laconia E, P, F
Laconia Housing & Redevelopment E
Laconia Water Works E
Lakes Region Mutual Fire Aid E, F
Lakes Region Planning Commission E
Lancaster E, P, F
Langdon P
Lebanon E, P, F
Lee E, P, F
Lempster E
Lincoln E, P
Lisbon P
Litchfield E, P, F
Littleton E, P, F
Littleton Public Library E
Littleton Water & Light Department E
Londonderry E, P, F
Loudon E, P, F
Lyme E, P
Lyndeborough P
Madbury P
Madison E, P
Manchester P, F
Marlborough E, P
Marlow E
Mason P

Meredith E, P, F
Meriden Village Water District E
Merrimack E, P, F
Merrimack Village District E
Middleton P
Milford E, P, F
Milford Area Communication Center E
Milton E, F, P
Monroe E
Mont Vernon E, P
Moultonborough E, P, F
Nashua E, P, F
Nashua Airport Authority E
Nashua Housing Authority E
Nelson E
New Boston P
New Castle E, P, F
New Durham E, P
New England Interstate Water Pollution Control Commission E
New Hampton E, P
New Ipswich E, P
New London E, P, F
New London-Springfield Water Precinct E
Newbury P
Newfields E, P
Newington E, P, F
Newmarket E, P
Newport E, P, F
Newton E, P
New Hampshire Municipal Bond Bank E
North Conway Water Precinct/ Fire Department E, F
North Hampton E, P, F
Northfield E, P
Northumberland E, P
Northwood E, P, F
Nottingham F, P

Orford E, P
Ossipee E, P
Pelham E, P, F
Pembroke E, P
Penacook-Boscawen Water Precinct E
Peterborough E, P, F
Pittsburg E, P
Pittsfield E, P, F
Plainfield E, P
Plaistow E, P, F
Plaistow Public Library E
Plymouth E, P, F
Plymouth Court Jurisdictional Association E
Plymouth Village Water & Sewer E
Portsmouth E, P, F
Portsmouth Housing Authority E
Raymond E, P, F
Rindge E, P, F
Rochester E, P, F
Rockingham Planning Commission E
Rollinsford P
Rumney E, P
Rye E, P, F
Rye Water District E
Salem E, P, F
Salem Housing Authority E
Salisbury E
Sanbornton E, P, F
Sanbornton Public Library E
Sandown E, P, F
Sandwich P
Seabrook P, F
Shelburne E
Somersworth E, P, F
Somersworth Housing Authority E
South Hampton P
Southern NH Planning Commission E

KEY: E – Employees T – Teachers P – Police Officers F – Firefighters
SAU – School Administrative Unit

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Springfield E, P

Stark E

Stewartstown E, P

Strafford P

Stratford E

Stratham E, P

Sugar Hill E, P

Sunapee E, P

Sutton P

Swanzey P

SWNH District Fire Mutual Aid E, F

Tamworth E, P, F

Thornton E, P

Tilton E, P

Tilton/Northfield Fire District E, F

Troy E, P

Tuftonboro E, P, F

Unity E

Wakefield E, P, F

Walpole E, P

Warner E, P

Warner Village Water District E

Washington E, P

Waterville Estates Village District E

Waterville Valley E, P, F

Weare E, P

Webster E, P

Weeks Public Library E

Westmoreland E

West Ossipee Fire Precinct E

Whitefield E, P

Wilmot E, P

Wilton P

Winchester E, P

Windham E, P, F

Wolfeboro E, P, F

Woodstock E, P

Woodsville Fire District E

Woodsville Water & Light Department E

COUNTY GOVERNMENTS (AND RELATED ENTITIES)

Belknap County E, P

Belknap County Conservation District E

Carroll County E, P

Cheshire County E, P

Coos County E, P

Coos County Nursing Home E

Grafton County E, P

Hillsborough County E, P

Merrimack County E, P

Rockingham County E, P

Strafford County E, P

Sullivan County E, P

SCHOOL DISTRICTS

Allenstown School District T

Alton School District E, T

Amherst School District E, T

Andover School District E, T

Ashland School District E, T

Auburn School District E, T

Barnstead School District E, T

Barrington School District E, T

Bartlett School District E, T

Bath School District E, T

Bedford School District E, T

Bethlehem School District E, T

Bow School District E, T

Brentwood School District E, T

Brookline School District T

Campton School District E, T

Candia School District E, T

Chester School District E, T

Chesterfield School District E, T

Chichester School District E, T

Claremont School District E, T

Cocheco Arts & Technology Academy T

Colebrook School District T

Concord School District E, T

Contoocook Valley Regional School District-SAU 1 E, T

Conway School District E, T

Cornish School District E, T

Croydon School District E, T

Deerfield School District T

Dover School District E, T

Dresden School District E, T

Dunbarton School District T

East Kingston School District E, T

Epping School District E, T

Epsom School District T

Errol School District T

Exeter School District E, T

Exeter Regional Co-Op School District E, T

Fall Mountain Regional School District E, T

Farmington School District E, T

Franklin Career Academy T

Franklin School District E, T

Freedom School District E, T

Fremont School District E, T

Gilford School District E, T

Gilmanton School District E, T

Goffstown School District E, T

Gorham School District E, T

Goshen-Lempster School District E, T

Governor Wentworth Regional School District E, T

Greenland School District E, T

Hampstead School District E, T

Hampton Falls School District E, T

Hampton School District E, T

Hanover School District E, T

Harrisville School District E, T

KEY: E – Employees T – Teachers P – Police Officers F – Firefighters
SAU – School Administrative Unit

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Haverhill Coop School District E, T

Henniker School District E, T

Hill School District T

Hillsboro-Deering School District E, T

Hinsdale School District E, T

Holderness School District E, T

Hollis School District E, T

Hollis/Brookline Coop School District E, T

Hooksett School District E, T

Hopkinton School District E, T

Hudson School District E, T

Inter-Lakes Cooperative School District E, T

Jackson School District E, T

Jaffrey-Rindge Co-op E, T

John Stark Regional School District E, T

Kearsarge Regional Cooperative School District E, T

Keene School District E, T

Kensington School District E, T

Laconia School District E, T

Lafayette Regional Cooperative School District E, T

Landaff School District T

Lebanon School District E, T

Lincoln Woodstock Coop School District E, T

Lisbon Regional School District E, T

Litchfield School District E, T

Littleton School District E, T

Londonderry School District E, T

Lyme School District E, T

Lyndeborough School District T

Madison School District E, T

Manchester School District E, T

Marlborough School District E, T

Marlow School District E, T

Mascenic Regional School District E, T

Mascoma Valley Regional School District E, T

Merrimack School District E, T

Merrimack Valley School District E, T

Milan School District E, T

Milford School District E, T

Milton School District E, T

Monadnock Regional School District E, T

Monroe School District E, T

Mont Vernon School District E, T

Moultonborough School District E, T

Nelson School District T

New Boston School District E, T

New Castle School District E, T

Newfields School District T

Newfound Area School District E, T

New Hampshire Equestrian Academy T

Newington School District E, T

Newmarket School District E, T

Newport School District E, T

North Country Education Service E, T

North Hampton School District E, T

Northumberland School District E, T

Northwood School District E, T

Nottingham School District E, T

Oyster River Coop School District E, T

Pelham School District E, T

Pembroke School District E, T

Pemi-Baker Regional School District E, T

Piermont School District E, T

Pittsburg School District E, T

Pittsfield School District E, T

Plainfield School District E, T

Plymouth School District E, T

Portsmouth School District — SAU 52 E, T

Portsmouth—Josie F. Prescott E

Profile Coop School District E, T

Propsect Mountain High School E, T

Raymond School District E, T

Rivendell Interstate School District E, T

Rollinsford School District E, T

Rumney School District T

Rye School District E, T

Salem School District E, T

Sanborn Regional School District E, T

Seabrook School District E, T

Seacoast Charter School T

Shaker Regional School District E, T

Somersworth School District E, T

Souhegan Cooperative School District E, T

South Hampton School District E, T

Stark School District E, T

Stewartstown School District T

Stoddard School District E, T

Strafford School District E, T

Stratford School District E, T

Stratham School District E, T

Sunapee School District E, T

Tamworth School District E, T

Thornton School District E, T

Timberlane Regional School District E, T

Unity School District E, T

Wakefield School District E, T

Warren School District E, T

KEY: E – Employees T – Teachers P – Police Officers F – Firefighters
SAU – School Administrative Unit

CLICK HERE TO RETURN TO TABLE OF CONTENTS

Washington School District E, T

Waterville Valley School District E, T

Weare School District T

Wentworth School District T

Westmoreland School District E, T

White Mountains Regional School District E, T

Wilton School District E, T

Wilton-Lyndeborough Coop School District E, T

Winchester School District E, T

Windham School District E, T

Winnacunnet Coop School District E, T

Winnisquam Regional Coop School District E, T

SCHOOL ADMINISTRATIVE UNITS

SAU 2 E, T

SAU 3 E, T

SAU 6 E

SAU 7 E, T

SAU 9 E, T

SAU 10 E, T

SAU 13 E

SAU 14 E

SAU 15 E, T

SAU 16 E, T

SAU 18 E, T

SAU 19 E, T

SAU 20 E

SAU 21 E, T

SAU 23 E, T

SAU 24 E, T

SAU 28 E

SAU 29 E, T

SAU 33 E

SAU 34 E, T

SAU 35 E, T

SAU 38 E, T

SAU 39 E

SAU 41 E

SAU 42 E, T

SAU 43 E, T

SAU 44 E, T

SAU 46 E

SAU 48 E, T

SAU 50 E, T

SAU 51 E, T

SAU 53 E, T

SAU 54 E, T

SAU 55 E

SAU 56 E, T

SAU 58 E

SAU 63 E, T

SAU 64 E, T

SAU 67 E

SAU 70 E

SAU 75 E, T

KEY: E – Employees T – Teachers P – Police Officers F – Firefighters
SAU – School Administrative Unit

CLICK HERE TO RETURN TO TABLE OF CONTENTS

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CLICK HERE TO RETURN TO TABLE OF CONTENTS

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CLICK HERE TO RETURN TO TABLE OF CONTENTS