

# NHRS

## New Hampshire Retirement System

A Component Unit Of The State Of New Hampshire

RETIREMENT  
PENSION  
EMPLOYER  
ANNUITY  
MEMBER  
VESTING  
BENEFITS  
TEACHER  
SESSION  
EARNABLE COMPENSATION  
CREDITABLE SERVICE  
SURVIVORSHIP OPTION  
AVERAGE FINAL COMPENSATION  
DEFINED BENEFIT PLAN  
EMPLOYEE  
POLICE CONTRIBUTION  
FIRE  
TRUSTEES  
IN SERVICE  
ACCUMULATED CONTRIBUTIONS

### Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2011



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NEW HAMPSHIRE RETIREMENT SYSTEM

# **INTRODUCTORY SECTION**

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**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011**

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](http://www.nhrs.org)

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**LETTER FROM  
THE CHAIR**



December 12, 2011

To the Members and Beneficiaries of the New Hampshire Retirement System:

On behalf of the Board of Trustees of the New Hampshire Retirement System (NHRS) I am pleased to present NHRS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This report describes the financial conditions of both the Pension Plan and the Other Post Employment Benefit (OPEB) Plans. It also describes various changes that occurred during Fiscal Year 2011, some significant changes since then, and challenges that lie ahead.

Aided by rising world-wide equity markets, NHRS recorded a 23.0% total return, net-of-fees, for the twelve months ending June 30, 2011, exceeding NHRS custom benchmark of 22.1% and NHRS assumed rate of return of 8.5% (which was lowered by the board to 7.75% in May 2011). The benchmark is comprised of major market indices weighted in proportion to the System's asset allocation. The investment program's return was primarily driven by the performance of U.S. equity (+31.2%) and non-US equity (+34.2%) portfolios. The System's assets were \$5.89 billion at June 30, 2011, an increase of \$993 million over the previous fiscal year.

It is important to note that these returns are for one year of the fund, and need to be considered within the context of the performance over time. The investment program is designed to provide income for both current and future beneficiaries, and investment returns provide a substantial portion of the funds for paying those benefits. NHRS' total fund annualized investment return over the last 10-year period was 5.2%, and over the last 20-year period it was 8.5%, before the effect of gain-sharing.

Global economic conditions continue to present real challenges for investors. Since the end of the fiscal year, NHRS marketable investments, which are approximately 91% of total investments, lost 4.8% for the four months ending October 31, 2011. A combination of factors, including the inability of Congress to reach a deal on the U.S. debt ceiling until the deadline of August 2, 2011, the failure of the "supercommittee" to make recommendations to the U.S. Congress, continued tepid demand, stubbornly high unemployment, and concerns over sovereign debt in the European Union, have heightened investor uncertainty and significantly increased market volatility.

The Board and the Independent Investment Committee worked with their consultants and staff to review and change, as appropriate, asset allocation, specific investments, strategies, and policies.

NHRS maintains a long-term investment horizon. In addition to the information on investments contained in this report, information on the economic and market climate and NHRS-specific investment activities is provided in the Comprehensive Annual Investment Report for Fiscal Year 2011, issued separately by the Independent Investment Committee.

Despite the very high returns for the fiscal year, the funded ratio of the NHRS dropped slightly for the Pension and OPEB plans. Funding status is measured by comparing the net assets available to pay benefits, to benefits owed now and in the future. At the close of the 2011 Fiscal Year the funded ratio of the Pension Plan stood at 57.4% and the OPEB Plans at 4.3%, versus 58.5% and 5.6% in the previous year, respectively.

About one third of the reduction in the funded ratio was due to the impact of investment performance. A five-year smoothing of investment returns is used in calculating the funded ratio. Thus, the two recent years in which the retirement system experienced losses (fiscal years 2008 & 2009) are still included in the smoothing calculation. The gains of fiscal years 2010 and 2011, likewise, will be recognized over the next four to five years.

Two other major changes – pension reform passed by the New Hampshire Legislature, and the NHRS Board's adoption of new actuarial assumptions following the completion of the five-year experience study – each had significant changes on the funding ratio and the long-term outlook for the system. Taken together, however, they explain the remainder of the immaterial decline in the funded ratio.

Although the overall funded ratio barely changed in 2011, employer contribution rates are expected to rise significantly in fiscal years 2014-2015, albeit by substantially less than if the pension reforms were not enacted. This increase is due to the changes made to the actuarial assumptions, particularly the reduction of the assumed rate of investment return.

Every five years, NHRS conducts an experience study to analyze how the actual experiences of the system, including key demographic and economic factors, compare to the assumptions of these factors on which the actuarial model is based. The five-year experience study also looks at future expectations for investment returns. This is because the assumed rate of return is a major factor in the actuarial model, which impacts the rate at which the investments are assumed to grow, the rate at which future benefits are discounted to today's dollars, and other implications.



*Dr. Lisa K. Shapiro  
Chair  
Board of Trustees*



The NHRS trustees in 2011 adopted a number of changes to the retirement system's demographic and economic actuarial assumptions – including a reduction in the assumed rate of investment return from 8.5% to 7.75% – to better reflect the retirement system's actual experience, and expectations going forward over the long term. The changes were part of a package of recommendations contained in the five-year experience study conducted by Gabriel Roeder Smith & Co., the retirement system's consulting actuaries. After months of detailed review and consultations with outside experts, staff, and the Independent Investment Committee, the new assumptions were adopted by the Board of Trustees in May 2011. The new actuarial assumptions decreased the pension funded ratio 4.3%, and increased the unfunded actuarial accrued liability (UAAL) for Pension by about \$757 million and about \$165 million for the OPEB. These assumptions are being used in the retirement system's actuarial valuation for the fiscal year ending June 30, 2011. By statute, that valuation will be used to set employer contribution rates for the fiscal years 2014 and 2015.

The 2011 legislative session resulted in significant revisions to RSA 100-A, the statute governing the retirement system. Significant changes were made to benefits and contributions, employer costs and sharing arrangements, board composition, and several issues relevant to NHRS retirees. The majority of legislative changes dealt with member benefits, with different provisions applying to members who vested prior to January 1, 2012, members who did not vest prior to that date, and members who were hired on or after July 1, 2011. The total package of legislative changes decreased the UAAL by about \$430 million for Pension, and about \$421 million for OPEB, and increased the pension funded ratio by 3.5%. The reductions in benefits for non-vested members and new hires, coupled with increases to member contribution rates for all members, are projected to reduce employer contributions by more than \$3 billion over the next 20 years. (Detailed information regarding legislative changes can be found on Note 5 of this report, which begins on Page 41.)

To be considered healthy, a public employee retirement plan should have a funded ratio of at least 80%. The overall poor funding status of NHRS is a result of combination of factors, including the global economic slowdown over much of the last decade and policy decisions over the last 25 years made by past board and past legislatures regarding actuarial methods and assumptions, setting of employer contributions, assumed rate of return, and the diversion of investment gains to fund other benefits. Prior to the change in actuarial methods in 2007, the actuarial method used did not calculate the UAAL and thus the reported ratio cannot be compared to reported funded ratios since then. In 2007, the funded ratio – using the updated methodology – was calculated at about 67%, and was prior to the major market meltdowns and worldwide recession.

Changes made over the past five years, including actuarially sound employer rates designed to recoup the UAAL over a 30-year period, and substantial reforms on plan design, have put NHRS on a path to financial health. However, it took many years for NHRS to get to this point, and despite the far-reaching legislative and policy changes made in recent years, it will take many years to bring the retirement system back to a more healthy financial position. Importantly, there is a solid plan in place and real progress is being made. However, many of the reforms, including some going back to the 2008 legislative session, are being challenged in court. Whatever the outcome of these lawsuits, NHRS plans to take an appropriate, measured, and sound response to ensure the sustainability of the system to pay benefits. More fundamental changes to the system by transitioning to a defined contribution plan from a defined benefit plan are expected to be considered in the upcoming legislative session. NHRS is bringing its expertise to the analysis of these proposals in order to continue to carry out its fiduciary duties to the members.

As a result of the legislation enacted in 2011, the Board was reduced from 14 members to 13 with the seats formerly held by four member trustees and two legislator trustees replaced by three new employer seats and two additional public seats. The Board would like to thank the former Trustees Senator Jeb Bradley, Justin Cutting, Representative Ken Hawkins, Sam Giarrusso, Mike Macri, Germano Martins and Jill Rockey for their dedication and service.

NHRS also experienced some staff leadership transitions in Fiscal Year 2011 and the Board would like to thank both past and present staff for their tireless work and dedication. We are grateful to Director of Administration Kim France who has been serving as NHRS' interim executive director. The Board is currently conducting a search for an executive director.

NHRS continues to strengthen its operations, performance, services and financial health. We have made significant progress toward implementing the necessary changes to support the sustainability and stability of NHRS, but the road ahead is long. The Board and staff are committed to meeting these challenges head-on, and fulfilling our fiduciary responsibility to members and their beneficiaries.

Sincerely,



Dr. Lisa Shapiro  
Chair of the Board of Trustees  
New Hampshire Retirement System

**BOARD OF TRUSTEES**

**Dr. Lisa K. Shapiro**

*Chair  
Public Member  
February 2008 to July 2013*

**Danny H. O'Brien**

*Vice Chair  
Public Member  
July 2009 to July 2012*

**Richard A. Gustafson, PhD**

*Public Member  
August 2011 to August 2013*

**Vacant**

*Public Member*

**Donald M. Roy, Jr.**

*Employer Member  
July 2011 to July 2013*

**Tara G. Reardon**

*Employer Member  
July 2011 to July 2013*

**John G. Wozmak**

*Employer Member  
July 2011 to July 2013*

**Keith R. Hickey**

*Employer Member  
September 2007 to September 2013*

**Kate McGovern, PhD**

*Employee Member  
February 2011 to July 2012*

**Vacant**

*Teacher Member*

**Brian W. Morrissey**

*Firefighter Member  
February 2001 to July 2012*

**Dean Crombie**

*Police Officer Member  
April 2003 to July 2012*

**Catherine Provencher**

*State Treasurer  
January 2007 ex officio*

**NHRS BOARD OF TRUSTEES**



Seated left to right: Kate McGovern, PhD, Danny O'Brien, Vice Chair, Dr. Lisa K. Shapiro, Chair, Richard A. Gustafson, PhD. Standing left to right: John G. Wozmak, State Treasurer Catherine Provencher, Donald M. Roy, Jr., Dean Crombie and Tara G. Reardon. Absent when photo was taken: Keith R. Hickey and Brian W. Morrissey.

***INDEPENDENT MEMBERS***



**Senator Harold Janeway, Chair**  
January 2009–November 2010  
December 2010–Present



**Patrick O'Donnell**  
May 2009–December 2010  
July 2011–Present



**Thomas Silvia**  
February 2009–Present

***TRUSTEE MEMBERS***



**Catherine Provencher**  
State Treasurer  
January 2011–Present



**Dr. Lisa K. Shapiro**  
January 2009–Present



**Lawrence A. Johansen**  
Director of Investments

**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, 2010

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.



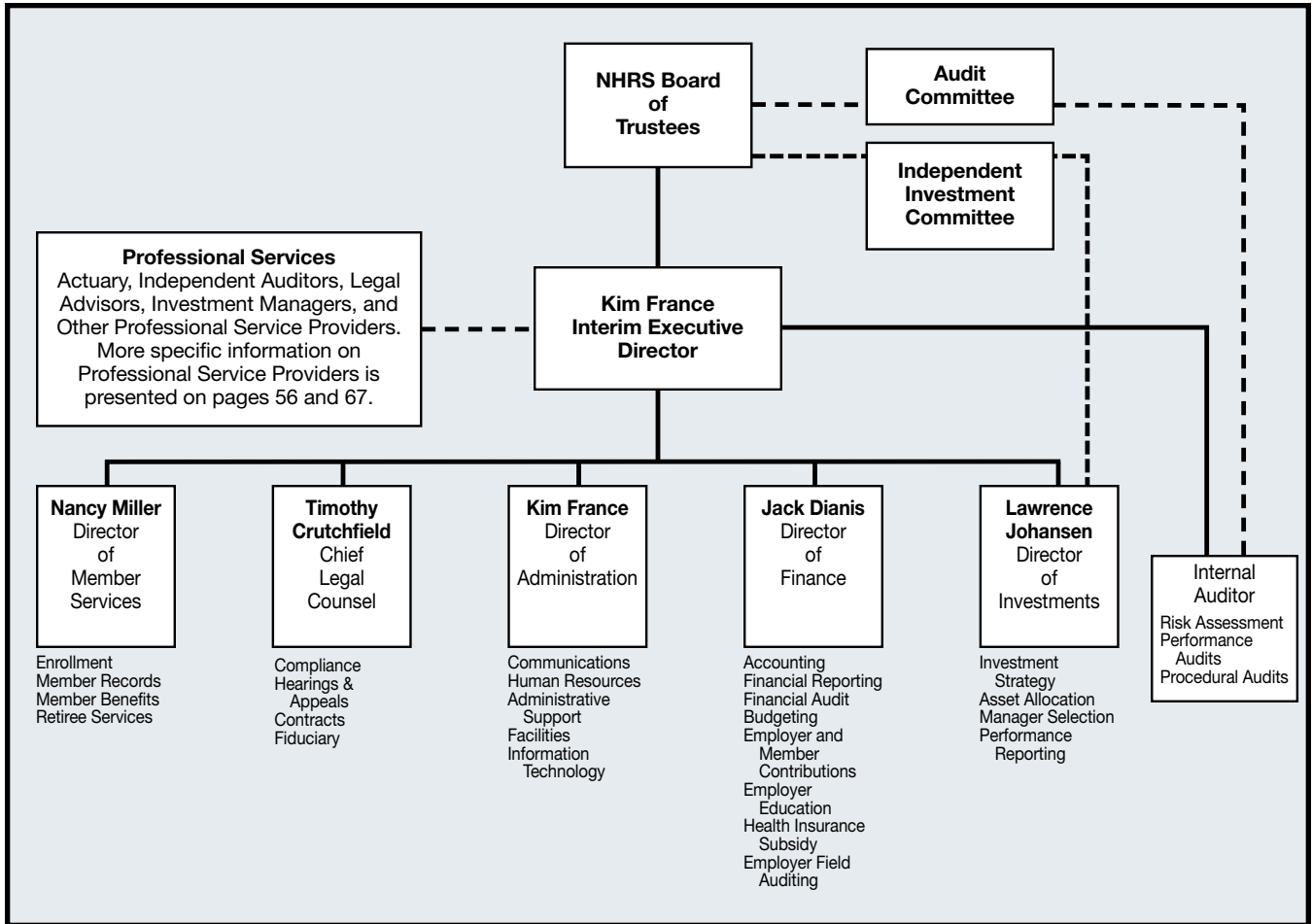
*Linda C. Danison*

President

*Jeffrey R. Emer*

Executive Director

**ADMINISTRATIVE ORGANIZATION**



**NHRS MANAGEMENT TEAM**



Seated left to right: Lawrence A. Johansen, Kim France, Shannan Hudgins, Jack Dianis and John Browne. Standing Left to right: Cecile Merrill, Heather Fritzky, Tamre McCrea, Timothy J. Crutchfield, Kristie Kathan, Denise Call, Nancy Miller, Christine Stoddard and Tracey Horner. Absent when photo was taken Kathy Denuette and Marty Karlon.

**PROFESSIONAL MANAGERS, ADVISORS  
AND SERVICE PROVIDERS**

**DOMESTIC EQUITY  
MANAGERS**

AllianceBernstein L.P.  
Blackrock Institutional Trust  
Company, N.A.  
Boston Trust & Investment  
Management Company  
C.S. McKee L.P.  
Institutional Capital LLC  
LSV Asset Management  
Netols Asset Management  
Segall, Bryant and Hamill  
Thompson, Siegel & Walmsley,  
LLC  
Wellington Management  
Company, LLP

**NON-U.S. EQUITY MANAGERS**

Aberdeen Asset Management  
Inc.  
Batterymarch Financial  
Management, Inc.  
Fisher Investments  
Grantham, Mayo, Van Otterloo &  
Co., LLC  
Thornburg Investment  
Management, Inc.  
Walter Scott & Partners Limited  
Wellington Trust Company, N.A.

**FIXED  
INCOME MANAGERS**

Brandywine Asset Management,  
Inc.  
Income Research  
& Management, Inc.  
Loomis Sayles &  
Company, L.P.  
Northern Trust Investments, N.A.  
Pacific Investment Management  
Company (PIMCO)

**PRIVATE EQUITY MANAGERS**

APA Excelsior IV & V, L.P.  
APAX Excelsior VI, L.P.  
Avenue Special Situations Fund  
VI(A), L.P.  
Castle Harlan Australian  
Mezzanine Partners, L.P.  
Castle Harlan Partners III, L.P.  
Coral Partners IV, L.P.  
Euclid SR Partners, L.P.  
Lexington Capital Partners VII,  
L.P.  
MatlinPatterson Global  
Opportunities II, L.P.  
RFE Investment Partners  
VI, L.P.  
Richland Ventures II, L.P.  
Siguler Guff Distressed  
Opportunities Fund IV(T), L.P.  
Sprout VII & VIII, L.P.  
The Venture Capital Fund of New  
England III, L.P.  
VSS Communications Partners  
IV, L.P.

**ABSOLUTE RETURN  
MANAGERS**

Arden Capital  
Management, LLC

**REAL ESTATE MANAGERS**

Hart Advisers, Inc.  
LaSalle Investment Management  
The Townsend Group

**INDEPENDENT AUDITORS**

KPMG LLP

**INVESTMENT ADVISOR**

NEPC, LLC

**ACTUARIAL CONSULTANT**

Gabriel, Roeder, Smith &  
Company

**LEGAL ADVISORS**

Foster Pepper PLLC  
Getman, Stacey, Schulthess  
& Steere, P.A.  
Groom Law Group  
IceMiller LLP  
Peter T. Foley, Esquire  
Sulloway & Hollis PLLC

**CUSTODIANS**

Citizens Bank-NH  
(In-state Custodian)  
The Northern Trust Company  
(Master Custodian)

**CORPORATE GOVERNANCE  
SERVICES**

Institutional Shareholder  
Services, Inc.

**TRADING COST ADVISOR**

Abel/Noser Corporation





December 12, 2011

Dear 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, 2011. This comprehensive report is designed to comply with the provisions of the Revised Statutes Annotated (RSA) 100-A:15, VI of the State of New Hampshire.

The management at NHRS 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.

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 retirement, 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.

#### **BUDGET CONTROLS AND NHRS ADMINISTRATION**

The administrative budget for fiscal year 2011 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. For financial reporting purposes, NHRS is considered a component unit of the State of New Hampshire.

NHRS is administered by a 13-member board of trustees, which includes the State Treasurer as an ex-officio member, one employee member, one teacher member, one firefighter member, one police officer member, four public non-members, and four employer representatives. The Board of Trustees sets the investment policy, formulates administrative policies, and authorizes benefit payments to members and their beneficiaries. The NHRS Independent Investment Committee is responsible for investing in accordance with policies established by the Board; selecting investment managers, agents, and custodial banks; reviewing performance; and making recommendations to the Board regarding investment consultants, asset allocation, and other investment policy matters. Administrative functions are directed by the Executive Director and are carried out by the administrative staff.

#### **ACCOUNTING SYSTEM AND INTERNAL CONTROL**

The CAFR has been prepared in conformity with U.S. generally accepted accounting principles (GAAP). 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. Trade commissions and related transaction costs are netted against the fair value of investments. Capital assets are recognized in the financial statements in accordance with NHRS established capital asset policy.

The management at NHRS is responsible for maintaining a system of internal controls which is 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.



*Kim France  
Interim Executive  
Director*

**FINANCIAL PERFORMANCE**

For the fiscal year ended June 30, 2011, Plan Net Assets increased \$992.8 million to \$5,891.1 million compared to a \$437.1 million net asset increase for the prior year. Recoveries in financial markets around the world helped fuel this performance. However, economic uncertainties continue and the retirement system still has significant financial challenges ahead of it. A detailed discussion of investment performance, the sources of additions and deductions, and results of operations is covered in the Management’s Discussion and Analysis beginning on page 19.

**FUNDING STATUS**

In order to ensure that current and future retirement benefits are safeguarded and available to members at retirement, NHRS evaluates the actuarial value of the Plans’ assets compared to the actuarial value of the Plans’ liabilities as an indication of the extent to which the Plans are funded each year. This measure is called the plan funded ratio. Significant legislation was enacted in the 2011 legislative session aimed at improving the funded ratios of the Plans.

The Pension Plan funded ratio at June 30, 2011, based on the June 30, 2011, actuarial valuation was 57.4%. The comparable funded ratio at June 30, 2010, based on the June 30, 2010, interim actuarial valuation was 58.5%. The funded ratio dropped slightly from the prior year primarily due to changes in economic assumptions that were adopted at the completion of the five-year experience study, lower than expected growth in wages, and the use of a five-year smoothing of investment returns. While the smoothing of investment returns helps to reduce the volatility in the rates that the retirement system charges employers year to year, it also means that the full effect of recent investment losses will not be recognized completely for several more years.

The funded ratios of the four OPEB Plans as of June 30, 2011, and June 30, 2010, are as follows:

	<b>June 30 2011</b>	<b>June 30 2010</b>
Group II Police Officers and Firefighters OPEB Plan	2.9%	3.7%
Group I Teachers OPEB Plan	( 2.3%)	2.0%
Group I Political Subdivision Employees OPEB Plan	37.2%	33.8%
Group I State Employees OPEB Plan	0.5%	0.0%

A comprehensive analysis of funding progress for the Plans is provided in the Required Supplementary Information beginning on page 46.

**INVESTMENTS**

RSA 100-A:15 grants the New Hampshire Retirement System Board of Trustees the authority to adopt the investment policy for NHRS. Effective January 1, 2009, an Independent Investment Committee was established by statute having the authority to invest and reinvest NHRS funds in accordance with the investment policy adopted by the Board of Trustees. Prior to January 1, 2009, the Board of Trustees had the authority to invest and reinvest NHRS funds.

The Independent Investment Committee consists of not more than 5 members, three of whom are not members of the Board of Trustees and two of whom are members of the Board of Trustees. The Trustees and Independent Investment Committee members are fiduciaries and discharge their duties solely in the interest of the Plans’ participants and beneficiaries. In the management of the Plans’ assets, the Board of Trustees and the Independent Investment Committee members must exercise the care, skill, and caution under the circumstances then prevailing that a prudent person acting in a like capacity would use in the conduct of an activity of like character and purpose.

The annualized total fund investment return for the one-year, three-year, five-year, ten-year, and twenty-year periods ended June 30, 2011, were 23.0%, 4.4%, 4.7%, 5.2%, and 8.5%, respectively. A discussion about comparative annualized returns, and related benchmark indices, for fiscal years 2011 and 2010 is presented in the Management’s Discussion and Analysis beginning on page 19.

**MAJOR INITIATIVES**

NHRS faces many of the same issues common to public employee retirement plans. As part of its proactive response to these challenges, the retirement system strives to create a culture of constant improvement.

Some of the major initiatives accomplished during fiscal year 2011 were:

- Completed a five-year experience study that resulted in a reduction of the assumed rate of return to 7.75% from 8.5%, along with updates to the other economic and demographic actuarial assumptions.
- Received a favorable determination letter from the Internal Revenue Service, as part of completing issues identified in 2008 through the Voluntary Compliance Program (VCP).
- Hired a Director of Finance to lead the NHRS Finance Department, advise the Executive Director and Board of Trustees on financial reporting and budget issues, and analyze the financial impact of proposed legislation related to NHRS.



- Provided expanded educational outreach to policymakers and all other interested parties regarding the operations of NHRS in light of the significant retirement-related legislation proposed in 2011.
- Successfully managed an unprecedented number of retirement counseling appointments and applications in the winter and spring of 2011.
- Increased member education opportunities by creating online presentations and additional website content regarding NHRS benefits, and increasing the frequency of member, retiree and employer newsletters.
- Strengthened IT security by revising internal policies and installing updated hardware and software.
- Reviewed and revisited all vendor contracts as they relate to NHRS' current business needs, consolidating and/or eliminating services, as practicable.
- Continued a thorough review of investment managers, which refocuses the portfolio by increasing exposure to those areas of the capital markets where it is more likely active management will add value.
- Adopted investment plans for the private equity portfolios. The focus of the private equity plan is to expand the program with new commitments to strategies that benefit from the current phase of the economic cycle.
- Terminated the securities lending program and exited those commingled index funds which participate in securities lending.
- Hired an external firm to vote proxies on behalf of the NHRS in accordance with the policy adopted by the Board of Trustees.

#### **INDEPENDENT AUDIT**

RSA 100-A:15 VI. (a) requires the Audit Committee of the Board of Trustees to engage the services of a qualified independent auditor to perform an annual audit each fiscal year. For fiscal year 2011, the Audit Committee 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, commonly called an experience study, 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 2011 by NHRS current actuary, Gabriel, Roeder, Smith and Company and was based on the information available as of June 30, 2010. 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, 2011, by Gabriel, Roeder, Smith and Company. The June 30, 2011, actuarial valuation will be used to determine employer contribution rates for fiscal years 2014 and 2015. 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 NHRS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition in the area of state and local governmental accounting and financial reporting, and attaining it represents a significant accomplishment by a government and its management. A copy of the fiscal year 2010 award is presented on page 10.

#### **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 their dedication and commitment.

Respectfully submitted,

  
Kim France  
Interim Executive Director

  
Jack W. Dianis  
Director of Finance

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NEW HAMPSHIRE RETIREMENT SYSTEM

**FINANCIAL  
SECTION**

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**INDEPENDENT AUDITORS’  
REPORT**



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Two Financial Center  
60 South Street  
Boston, MA 02111

Telephone +1 617 988 1000  
Fax +1 617 507 8321  
Internet www.us.kpmg.com

Independent Auditors’ Report

The Board of Trustees

New Hampshire Retirement System:

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, 2011, 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 fiscal 2010 financial statements and, in our report dated December 9, 2010, 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2011, and the changes therein for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011 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 grant agreements 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.

The management’s discussion and analysis on pages 19 through 23 and the historical pension information on pages 46 and 47 are not a required part of the basic 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.

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

**KPMG LLP**

December 12, 2011

KPMG LLP is a Delaware limited liability partnership,  
the U.S. member firm of KPMG International Cooperative  
("KPMG International"), a Swiss entity.

## 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, 2011 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 OPEB 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, 2011 with summarized comparable totals for fiscal year 2010. The excess of assets over liabilities is reported as "Net Assets Held in Trust for Benefits."

### FINANCIAL HIGHLIGHTS

Net assets increased by \$992.8 million (20.3%) from the prior year's net asset balance reflecting an improvement in the investment environment despite continuing weakness in the global economy.

Net investment income during fiscal year 2011 was \$1,131.7 million, a \$563.4 million (99.1%) increase over the prior fiscal year. The net investment income for fiscal year 2011 reflects a time-weighted return for the total fund during the year of 23.0% compared to a time-weighted investment return of 12.9% for the fiscal year ended June 30, 2010.

The total contributions received during the fiscal year were \$459.9 million. For fiscal year 2010, total contributions received were \$451.7 million.

Employer contributions for fiscal year 2011 increased to \$307.5 million (1.8%) compared with employer contributions in fiscal year 2010 of \$302.2 million. The increase in employer contributions in fiscal year 2011 was primarily due to higher pensionable wages.

Member contributions were \$152.4 million in fiscal year 2011, an increase of 1.9% over fiscal year 2010 member contributions of \$149.5 million. Member contribution rates remained the same for fiscal year 2010 for all groups and aggregate compensation was higher. Overall member normal contributions increased by 0.7% over the prior fiscal year. Voluntary member contributions increased by \$1.9 million (0.2%) over fiscal year 2010.

Benefits paid during fiscal year 2011 were \$579.8 million, an increase of 5.4% over the benefits paid in fiscal year 2010 of \$550.0 million. The increase in benefits paid in fiscal year 2011 is primarily due to an increase in the number of retirees and increased average benefit levels for those new retirees.

### FINANCIAL ANALYSIS

The following schedules report the Condensed Comparative Plan Net Assets and the Condensed Comparative Changes in Plan Net Assets for the NHRS for the fiscal years ended June 30, 2011 and June 30, 2010.

#### Condensed Comparative Plan Net Assets — Combined Plans

(Dollar Values Expressed in Millions)

	As Of June 30, 2011	As Of June 30, 2010	Amount Increase (Decrease)	Percentage Increase (Decrease)
Cash	\$ 3.8	\$7.9	(\$ 4.1)	( 51.9%)
Receivables	309.8	156.0	153.8	98.6%
Investments	5,853.3	4,840.7	1,012.6	20.9%
Cash Collateral on Securities Lending	—	471.1	( 471.1)	(100.0%)
Other Assets	0.2	0.6	( 0.4)	( 66.7%)
<b>Total Assets</b>	<b>\$6,167.1</b>	<b>\$5,476.3</b>	<b>\$690.8</b>	<b>12.6%</b>
Cash Collateral on Securities Lending	—	471.1	( 471.1)	(100.0%)
Other Liabilities	276.0	106.9	169.1	158.2%
<b>Total Liabilities</b>	<b>\$ 276.0</b>	<b>\$578.0</b>	<b>(\$ 302.0)</b>	<b>( 52.2%)</b>
<b>Net Assets Held in Trust for Benefits</b>	<b>\$5,891.1</b>	<b>\$4,898.3</b>	<b>\$ 992.8</b>	<b>20.3%</b>

Total assets increased by \$690.8 million (12.6%) in fiscal year 2011. Cash on hand at fiscal year end was \$4.1 million (-51.9%) lower than at fiscal year end 2010 reflecting some draw downs of liquidity reserves to meet operating obligations. Receivables increased by \$153.8 million (98.6%) over the prior fiscal year primarily due to an increase in the pending sale of securities at fiscal year end. Investments increased by \$1,012.6 million (20.9%) in fiscal year 2011. The increase in investments is directly attributable to improvement in the investment environment despite continuing weakness in the global economy. Cash collateral on security lending decreased \$471.1 million (-100.0%) in fiscal year 2011 compared to fiscal year 2010 as NHRS no longer participates in a securities lending program. Other assets decreased by \$0.4 million (-66.7%) for fiscal year 2011 primarily reflecting the completion of depreciation on the capitalized cost of equipment.

Total liabilities decreased by \$302.0 million (-52.2%) at the end of fiscal year 2011. Security lending cash collateral was lower by \$471.1 million (-100.0%) over the prior fiscal year. The reason for the decrease is discussed in the preceding paragraph. Other liabilities increased by \$169.1 million (158.2%) over fiscal year 2010 primarily due to an increase in the pending purchase of securities at fiscal year end.

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

	Year Ended June 30, 2011	Year Ended June 30, 2010	Amount Increase (Decrease)	Percentage Increase (Decrease)
<b>ADDITIONS:</b>				
Employer Contributions	\$ 307.5	\$ 302.2	\$ 5.3	1.8%
Member Contributions	152.4	149.5	2.9	1.9%
Net Investment Income	1,131.7	568.3	563.4	99.1%
Net Asset Transfers/Write-offs	—	107.0	( 107.0)	( 100.0%)
Other Income	13.5	(1.3)	14.8	1,138.5%
<b>Total Additions to Plan Net Assets</b>	<b>\$1,605.1</b>	<b>\$1,125.7</b>	<b>\$479.4</b>	<b>42.6%</b>
<b>DEDUCTIONS:</b>				
Benefits Paid	\$ 579.8	\$ 550.0	\$ 29.8	5.4%
Refunds of Contributions	22.8	21.9	0.9	4.1%
Net Asset Transfers	—	107.0	( 107.0)	( 100.0%)
Administrative Expense	7.4	6.6	0.8	12.1%
Other Deductions	2.3	3.1	( 0.8)	( 25.8%)
<b>Total Deductions from Plan Net Assets</b>	<b>\$ 612.3</b>	<b>\$ 688.6</b>	<b>(\$ 76.3)</b>	<b>( 11.1%)</b>
<b>Total Changes in Plan Net Assets</b>	<b>\$ 992.8</b>	<b>\$ 437.1</b>	<b>\$555.7</b>	<b>127.1%</b>

**ADDITIONS TO PLAN NET ASSETS**

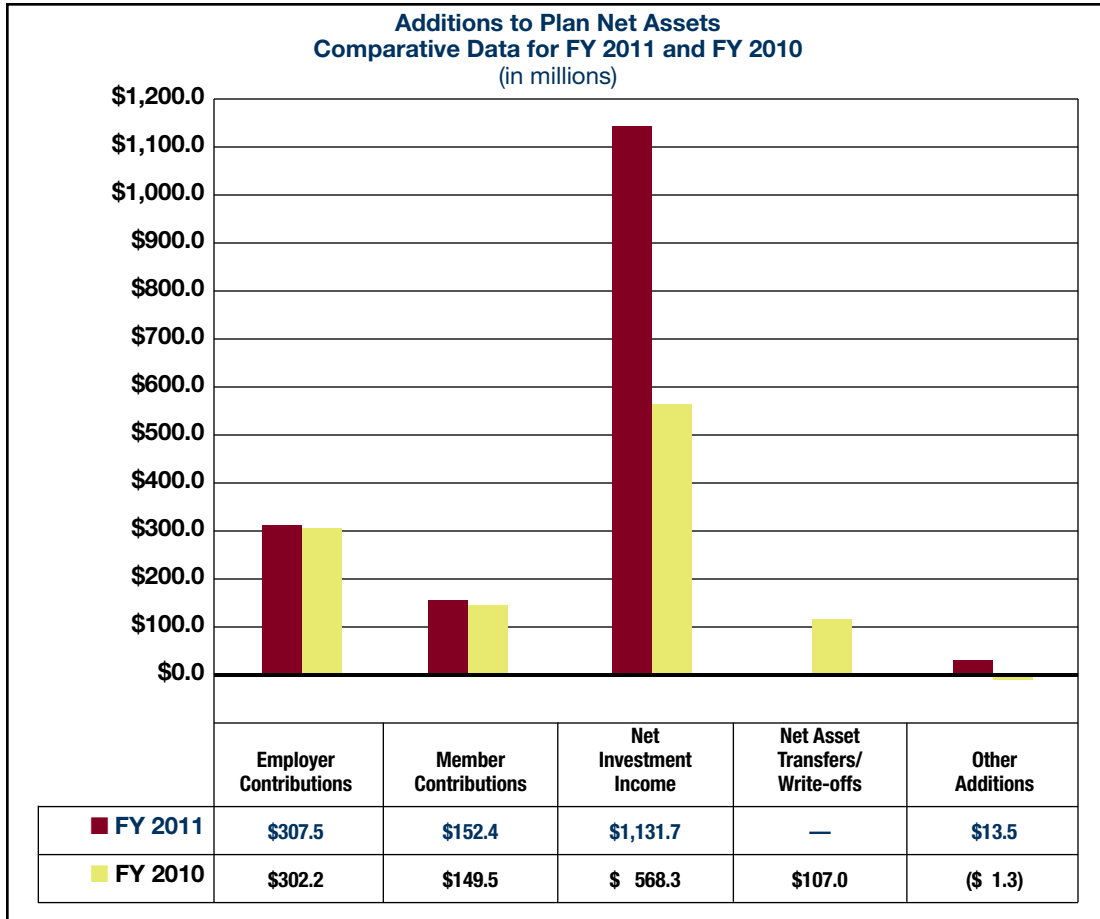
For fiscal year 2011, the combined total of employer and member contributions increased by \$8.2 million (1.8%). Employer contributions increased from \$302.2 million in fiscal year 2010 to \$307.5 million (1.8%) in fiscal year 2011. The increase in employer contributions is primarily due to increases in pensionable wages. Member contributions for fiscal year 2011 were \$152.4 million, an increase of \$2.9 million (1.9%) from fiscal year 2010. Member normal contributions increased \$1.0 million (0.7%) in fiscal year 2011 and voluntary member contributions increased by \$1.9 million (19.2%).

Over the long term, the Plan's investment portfolio has been a major source for additions to plan net assets. There was a net investment gain in fiscal year 2011 of \$1,131.7 million compared with a net investment gain in fiscal year 2010 of \$568.3 million. The net change from year-to-year was \$563.4 million, a significant increase from fiscal year 2010 of 99.1%. The change reflects significant improvement in the financial markets despite continuing weakness in the global economy.

There were no net asset transfers in fiscal year 2011 compared with a net asset transfer of \$107.0 million in fiscal year 2010.

**DEDUCTIONS TO PLAN NET ASSETS**

Total benefits paid in fiscal year 2011 were \$579.8 million, an increase of \$29.8 million (5.4%) over the fiscal year 2010 level of \$550.0 million. Pension benefits paid in fiscal year 2011 were \$520.0 million, an increase of \$29.9 million (6.1%) compared with the pension benefits paid in fiscal year 2010 of \$490.1 mil-



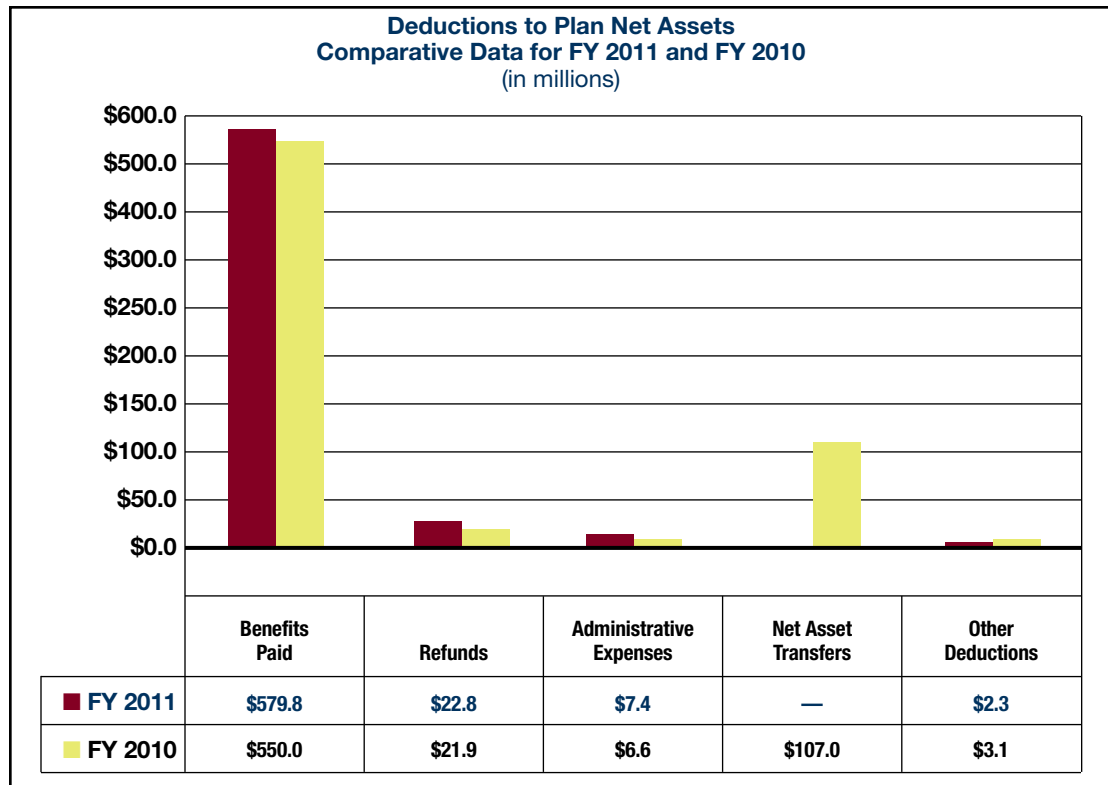
lion. The increase in pension benefits paid in fiscal year 2011 is primarily due to an increase in the number of retirees and increased average benefit levels for those new retirees. OPEB benefits paid in fiscal year 2011 were \$59.8 million which remained the same as the benefits that were paid in 2010. The OPEB benefits that will be paid will continue to remain flat or go down, as there is a very small population that can still qualify for this benefit. Refunds of contributions were \$22.8 million, an increase of \$0.9 million (4.1%) over the 2010 level of \$21.9 million. The increase reflects an increase in the number and dollar value of refund requests from terminated members in 2011.

Administrative expenses increased by \$0.8 million (12.1%) in fiscal year 2011 to a level of \$7.4 million compared with \$6.6 million in 2010. Administrative expenses increased primarily due to increases in salary and benefit expenditures resulting from one-time end of career payouts for several long-term employees and a full year of the Director of Investment's salary in FY 2011 compared to one month in FY 2010.

**PLAN FUNDING STATUS**

Funded ratios are a useful measurement that can be used in conjunction with many other factors to assess the financial soundness of a pension plan or OPEB plan. A plan's funded ratio is calculated by dividing its actuarial value of assets at year end (5 year smoothing of fair values) by its actuarial accrued liability at year end. The actuarial accrued liabilities that were used to determine the funded ratios that follow for the Pension Plan and the OPEB Plans were determined using the entry age normal actuarial cost method for both fiscal year 2011 and 2010.

The Pension Plan actuarial accrued liability at June 30, 2011, based on the June 30, 2011 actuarial valuation, was \$9,998.3 million. The actuarial value of assets available to pay pension benefits at June 30, 2011 was \$5,740.5 million, resulting in an unfunded actuarial accrued liability of \$4,257.7 million and a funded ratio of 57.4% at June 30, 2011. For fiscal year 2010, the Pension Plan actuarial accrued liability at June 30, 2010, based on the June 30, 2010 interim actuarial valuation, was \$8,953.9 million. The actuarial value of assets available to pay pension benefits at June 30, 2010 was \$5,233.8 million resulting in an unfunded actuarial accrued liability of \$3,720.1 million and a funded ratio of 58.5%.



The combined OPEB Plans actuarial accrued liability at June 30, 2011, based on the June 30, 2011 actuarial valuation, was \$777.6 million. The actuarial value of assets available to pay postemployment medical benefits at June 30, 2011 was \$33.2 million resulting in an unfunded actuarial accrued liability of \$744.4 million and a funded ratio of 4.3% at June 30, 2011. For fiscal year 2010, the OPEB Plans actuarial accrued liability at June 30, 2010, based on the June 30, 2010 interim actuarial valuation, was \$1,033.9 million. The actuarial value of assets available to pay OPEB benefits at June 30, 2010 was \$57.8 million resulting in an unfunded actuarial accrued liability of \$976.1 million and a funded ratio of 5.6%.

**INVESTMENT PERFORMANCE**

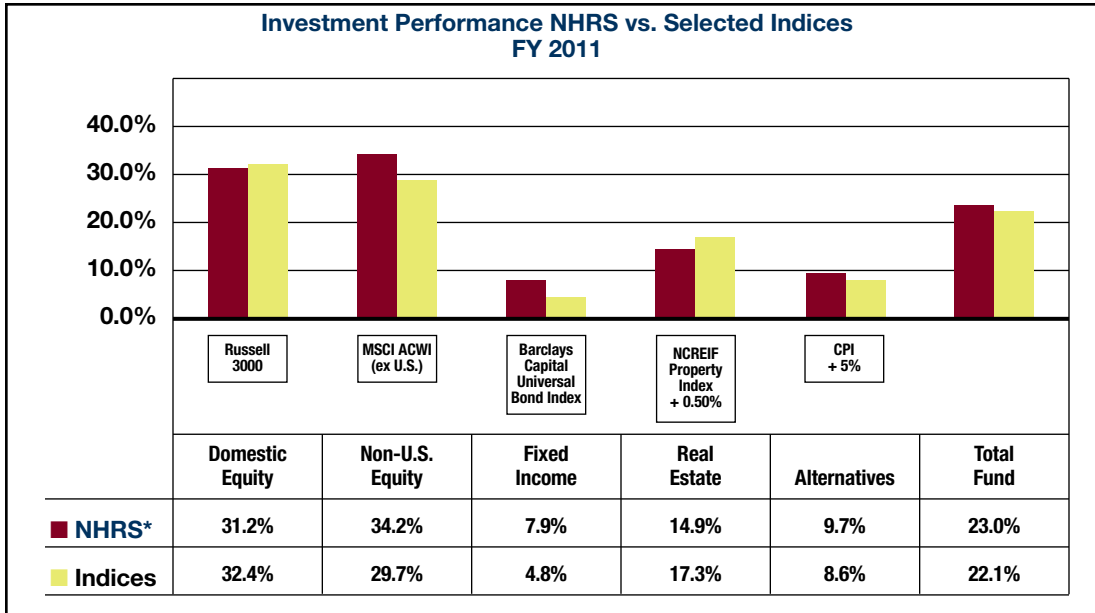
NHRS recognizes that it operates in a dynamic economic environment. The challenges of investing the Plan’s funds strategically to achieve the actuarial rate of return while controlling risk are greater than ever. As such, NHRS has allocated assets to a broad range of asset classes.

Equity (63.9%), fixed income investments (24.6%), and cash equivalents (3.8%) comprise approximately 92.3% of invested assets at June 30, 2011. The remaining 7.7% of assets are invested in real estate (5.6%) and alternative investments (2.1%), which includes private equity and absolute return strategy investments. These illiquid assets are expected to earn enhanced returns and manage risk through further 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, 2011, the Plan’s total fund return was 23.0% compared to 12.9% for the fiscal year ended June 30, 2010. The total NHRS fund performance of 23.0% for fiscal year 2011 exceeded the total fund custom index (a blended composition of major market indices in proportion to the NHRS’ asset allocation), which returned 22.1%, by 90 basis points.

The NHRS portfolio provided strong returns in fiscal year 2011. The non-U.S. equity portfolio was the primary contributor to performance with a 34.2% return for fiscal year 2011, exceeding the MSCI ACWI (ex U.S.) benchmark return of 29.7% by 450 basis points. The domestic equity portfolio generated a return of 31.2%, trailing the Russell 3000 Index return of 32.4% by 120 basis points. Fixed income investments returned 7.9% and outperformed the Barclays Capital Universal Bond Index benchmark return of 4.8% by 310 basis points. The real estate portfolio gained 14.9% for fiscal year 2011 but underperformed the





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

NCREIF Property Index + 0.50% benchmark return of 17.3% by 240 basis points. The alternative investment asset class provided a 9.7% return for the fiscal year and outperformed the Consumer Price Index + 5% benchmark return of 8.6% by 110 basis points.

**CONTACTING NHRS**

The Comprehensive Annual Financial Report is designed to provide a general overview of NHRS investment results and financial condition of the Pension Plan and OPEB Plans for the year ended June 30, 2011. Detailed information regarding NHRS' investments as of June 30, 2011 can be found in the Comprehensive Annual Investment Report which is published by the Independent Investment Committee of the NHRS. Please contact the NHRS office at 603.410.3500 for additional financial information or for questions related to this report, or the Comprehensive Annual Investment Report. Additional information can also be obtained from the NHRS website at [www.nhrs.org](http://www.nhrs.org).

## BASIC FINANCIAL STATEMENTS

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

AS OF JUNE 30, 2011 (with summarized financial information as of June 30, 2010)

	PENSION PLAN 2011	GROUP II POLICE OFFICER & FIREFIGHTER OPEB PLAN 2011
<b>ASSETS:</b>		
Cash	\$ 3,772	\$ 7
Receivables:		
Due from Employers	32,371	—
Due from State	6,995	—
Due from Plan Members	16,191	—
Due from Brokers for Securities Sold	233,881	406
Interest and Dividends	16,459	29
Other	2,457	4
<b>Total Receivables</b>	<b>308,354</b>	<b>439</b>
<b>INVESTMENTS AT FAIR VALUE</b>		
Cash and Cash Equivalents:	217,545	377
Equity Investments:		
Domestic	2,636,087	4,573
Non-U.S.	1,086,703	1,885
Fixed Income Investments:		
Domestic	1,191,423	2,068
Non-U.S.	240,459	417
Real Estate	324,369	563
Alternative Investments	122,926	213
<b>TOTAL INVESTMENTS</b>	<b>5,819,512</b>	<b>10,096</b>
Cash Collateral on Security Lending	—	—
Other Assets	175	—
<b>TOTAL ASSETS</b>	<b>6,131,813</b>	<b>10,542</b>
<b>LIABILITIES:</b>		
Cash Collateral on Securities Lending	—	—
Management Fees and Other Payables	8,001	14
Due to Brokers for Securities Purchased	266,387	462
<b>TOTAL LIABILITIES</b>	<b>274,388</b>	<b>476</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION AND OTHER POST EMPLOYMENT BENEFITS (OPEB)</b>	<b>\$5,857,425</b>	<b>\$10,066</b>

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

(in thousands)				
GROUP I TEACHERS OPEB PLAN 2011	GROUP I POLITICAL SUBDIVISION OPEB PLAN 2011	GROUP I STATE EMPLOYEES OPEB PLAN 2011	TOTAL 2011	TOTAL 2010
(\$ 4)	\$ 19	\$ —	\$ 3,794	\$ 7,932
—	—	—	32,371	27,201
—	—	—	6,995	7,760
—	—	—	16,191	16,500
( 251)	1,185	22	235,243	88,046
( 18)	83	2	16,555	13,582
( 3)	12	—	2,470	2,922
<b>( 272)</b>	<b>1,280</b>	<b>24</b>	<b>309,825</b>	<b>156,011</b>
( 234)	1,102	20	218,810	110,911
( 2,831)	13,351	244	2,651,424	2,137,780
( 1,167)	5,503	100	1,093,024	854,004
( 1,279)	6,034	110	1,198,356	1,187,044
( 258)	1,217	22	241,857	212,239
( 348)	1,643	30	326,257	244,839
( 131)	622	11	123,641	93,840
<b>( 6,248)</b>	<b>29,472</b>	<b>537</b>	<b>5,853,369</b>	<b>4,840,657</b>
—	—	—	—	471,066
—	1	—	176	658
<b>( 6,524)</b>	<b>30,772</b>	<b>561</b>	<b>6,167,164</b>	<b>5,476,324</b>
—	—	—	—	471,066
( 9)	41	1	8,048	6,151
( 286)	1,349	25	267,937	100,768
<b>( 295)</b>	<b>1,390</b>	<b>26</b>	<b>275,985</b>	<b>577,985</b>
<b>(\$ 6,229)</b>	<b>\$29,382</b>	<b>\$ 535</b>	<b>\$5,891,179</b>	<b>\$4,898,339</b>

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

FOR THE YEAR ENDED JUNE 30, 2011 (with summarized financial information for the year ended June 30, 2010)

	PENSION PLAN 2011	GROUP II POLICE OFFICER & FIREFIGHTER OPEB PLAN 2011
<b>ADDITIONS:</b>		
Contributions (NOTE 6):		
Employers	\$ 235,399	\$ 6,693
State Contributions on Behalf of Local Employers	39,183	1,662
<b>Total Employer Contributions</b>	<b>274,582</b>	<b>8,355</b>
Plan Members	152,412	—
<b>Total Contributions</b>	<b>426,994</b>	<b>8,355</b>
<b>Investment Income</b>		
From Investment Activities:		
Net Appreciation in Fair Value of Investments	1,006,258	2,989
Interest	49,221	147
Dividends	66,689	198
Net Real Estate Income	17,171	51
Alternative Investment Income (Loss)	( 9)	—
<b>Total Income (Loss) from Investment Activities</b>	<b>1,139,330</b>	<b>3,385</b>
<b>Less: Investment Expenses:</b>		
Investment Management Fees	17,031	51
Custodial Fees	423	1
Investment Advisor Fees	745	2
<b>Total Investment Activity Expenses</b>	<b>18,199</b>	<b>54</b>
<b>Total Net Income (Loss) from Investment Activities</b>	<b>1,121,131</b>	<b>3,331</b>
From Securities Lending Activities (NOTE 3):		
Securities Lending Income	410	2
Less: Securities Lending Borrower (Premiums)	( 2)	—
Less: Securities Lending Management Fees	83	—
<b>Net Income from Securities Lending Activities</b>	<b>329</b>	<b>2</b>
<b>Total Net Investment Income</b>	<b>1,121,460</b>	<b>3,333</b>
Net Asset Transfers	—	—
Other	13,399	40
<b>TOTAL ADDITIONS</b>	<b>1,561,853</b>	<b>11,728</b>
<b>DEDUCTIONS:</b>		
Benefits Paid	519,970	16,019
Refunds of Contributions	22,830	—
Net Asset Transfers/Write-offs	—	—
Administrative Expense (NOTE 7)	7,312	22
Professional Fees	1,425	5
Other	743	2
<b>TOTAL DEDUCTIONS</b>	<b>552,280</b>	<b>16,048</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$1,009,573</b>	<b>(\$ 4,320)</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)</b>		
Beginning of the Year	\$4,847,852	\$ 14,386
End of the Year	\$5,857,425	\$ 10,066

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

(in thousands)				
GROUP I TEACHERS OPEB PLAN 2011	GROUP I POLITICAL SUBDIVISION OPEB PLAN 2011	GROUP I STATE EMPLOYEES OPEB PLAN 2011	TOTAL 2011	TOTAL 2010
\$10,366	\$423	\$10,333	\$ 263,214	\$ 250,715
3,424	—	—	44,269	51,522
<b>13,790</b>	<b>423</b>	<b>10,333</b>	<b>307,483</b>	<b>302,237</b>
—	—	—	152,412	149,512
<b>13,790</b>	<b>423</b>	<b>10,333</b>	<b>459,895</b>	<b>451,749</b>
283	5,793	78	1,015,401	476,857
14	284	4	49,670	53,872
19	385	5	67,296	32,654
5	100	1	17,328	17,727
—	—	—	( 9)	4,579
<b>321</b>	<b>6,562</b>	<b>88</b>	<b>1,149,686</b>	<b>585,689</b>
5	98	1	17,186	17,630
1	2	—	427	447
1	4	—	752	768
<b>7</b>	<b>104</b>	<b>1</b>	<b>18,365</b>	<b>18,845</b>
<b>314</b>	<b>6,458</b>	<b>87</b>	<b>1,131,321</b>	<b>566,844</b>
—	2	—	414	1,292
—	—	—	( 2)	( 457)
—	—	—	83	324
<b>—</b>	<b>2</b>	<b>—</b>	<b>333</b>	<b>1,425</b>
<b>314</b>	<b>6,460</b>	<b>87</b>	<b>1,131,654</b>	<b>568,269</b>
—	—	—	—	106,987
4	77	1	13,521	( 1,343)
<b>14,108</b>	<b>6,960</b>	<b>10,421</b>	<b>1,605,071</b>	<b>1,125,662</b>
26,766	7,193	9,885	579,833	549,950
—	—	—	22,830	21,851
—	—	—	—	106,987
2	42	1	7,379	6,646
—	8	—	1,438	1,253
—	5	—	750	1,847
<b>26,768</b>	<b>7,248</b>	<b>9,886</b>	<b>612,230</b>	<b>688,534</b>
<b>(\$12,660)</b>	<b>(\$ 288)</b>	<b>\$ 535</b>	<b>\$ 992,840</b>	<b>\$ 437,128</b>
\$ 6,431	\$29,670	—	\$4,898,339	\$4,461,211
(\$ 6,229)	\$29,382	535	\$5,891,179	\$4,898,339

**NOTES TO THE  
FINANCIAL STATEMENTS**

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**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 postemployment 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, 2011, 2010, and 2009, NHRS made its required employer contributions of \$411, \$393, and \$302 thousand, respectively, to the Plans for its employees. NHRS employees contributed \$193, \$180, and \$173 thousand, 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/](http://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.

The type and number of employers contributing to the Pension Plan during the years ended June 30, 2011 and 2010 are presented below.

<b>EMPLOYERS CONTRIBUTING</b>	<b>2011</b>	<b>2010</b>
State Government	6	5
City Governments	13	13
Town Governments and Related Entities	242	244
County Governments and Related Entities	12	12
School Districts and School Administrative Units	201	205
<b>Total Employers</b>	<b>474</b>	<b>479</b>

As of June 30, 2011 and 2010, membership data related to the Pension Plan was as follows:

<b>MEMBERSHIP DATA</b>	<b>2011</b>	<b>2010</b>
Retirees and beneficiaries currently receiving benefits	27,130	25,845
Terminated employees entitled to benefits but not yet receiving them	1,496	1,515
Active plan participants	49,738	50,467
Inactive plan participants	6,272	5,677
<b>Total Membership</b>	<b>84,636</b>	<b>83,504</b>

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. Members commencing service on or after July 1, 2011 qualify for a normal service retirement allowance at age 65 based on years of creditable service and average final salary for the highest five years. Members hired prior to July 1, 2011 with a non-vested status as of January 1, 2012 qualify for a normal service retirement allowance at age 60 based on years of creditable service and average final salary for the highest five 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 or five 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 the appropriate graduated reduction based on years of creditable service. Members commencing service on or after July 1, 2011 at age 60 with 30 years of creditable service are entitled to a retirement allowance with the 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 commencing service on or after July 1, 2011 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by ¼ of 1% or age 60.

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 continue to earn interest. The interest credited to the inactive member's accumulated contributions will be 2 percentage points less than the assumed rate of return or the actual rate of return, whichever is less as reported in the preceding fiscal year's comprehensive annual financial report, but will not be less than zero.

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, the 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, they are referred to as the OPEB Plans.

The OPEB Plans provide a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. Detailed descriptions of those eligibility requirements can be found in the Actuarial Section beginning on page 67.

Membership of each OPEB plan consisted of the following eligible retirees receiving benefits as of June 30, 2011.

Plan	Number Of Retirees	1 Person Plan		2 Person Plan	
		Pre 65	Post 65	Pre 65	Post 65
Group II Police Officer & Firefighters	2,557	554	1,138	843	22
Group I Teachers	4,453	959	2,835	431	228
Group I Political Subdivision Employees	1,420	227	1,084	88	21
Group I State Employees	2,147	172	1,788	119	68
<b>Total OPEB Membership</b>	<b>10,577</b>	<b>1,912</b>	<b>6,845</b>	<b>1,481</b>	<b>339</b>



The number of contributing employers for each of the OPEB plans at June 30, 2011 is:

Group II Police Officer & Firefighters	202
Group I Teachers	190
Group I Political Subdivision Employees	410
Group I State Employees	6

Membership of each OPEB plan consisted of the following eligible retirees receiving benefits as of June 30, 2010.

Plan	Number Of Retirees	1 Person Plan		2 Person Plan	
		Pre 65	Post 65	Pre 65	Post 65
Group II Police Officer & Firefighters	2,489	485	1,142	844	18
Group I Teachers	4,470	1,000	2,738	531	201
Group I Political Subdivision Employees	1,436	231	1,073	111	21
Group I State Employees	2,197	166	1,813	148	70
<b>Total OPEB Membership</b>	<b>10,592</b>	<b>1,882</b>	<b>6,766</b>	<b>1,634</b>	<b>310</b>

The number of contributing employers for each of the OPEB plans at June 30, 2010 is:

Group II Police Officer & Firefighters	202
Group I Teachers	193
Group I Political Subdivision Employees	411
Group I State Employees	5

The maximum monthly subsidy amounts paid during fiscal year 2011 and 2010 were as follows:

For qualified retirees not eligible for Medicare the amounts were \$375.56 for a single person plan and \$751.12 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 amount payable was increased by 8.0% on July 1, 2007. There have been no increases in the monthly maximum subsidy amounts payable since July 1, 2007.

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**

### **INVESTMENTS**

Investments in both domestic and non-U.S. securities are valued at current market prices and expressed in U.S. dollars. NHRS uses a trade-date accounting basis for these investments.

Real estate includes both direct property holdings and commingled funds. 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 properties and 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' discretionary real estate manager. For fiscal year 2011, all of the direct property holdings were internally appraised by the real estate managers that hold the properties. Investment manager fair value estimates are used during the interim years. All NHRS property holdings were externally appraised as of June 30, 2010 with the exception of two properties which were carried at fair value until they were sold. Properties held for sale are reported net of disposition costs. The financial statements for direct properties were audited as of June 30, 2010. The financial statements for commingled funds are typically audited at calendar year-end. The June 30, 2011 values for real estate investments recorded in this report were obtained from financial statements provided by the direct property managers and the general partners of commingled funds. Real estate commingled funds are selected by the System's discretionary real estate manager.

Alternative investments include investments in private equity and absolute return strategies. The June 30, 2011 values for alternative investments recorded in this report were obtained from financial statements provided by the general partners. These financial statements are typically audited at calendar year-end.

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 fund managed by NHRS' master custodian. This fund invests mainly in high-grade money market instruments with maturity averaging less than three months. The fund provides daily liquidity.

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

**NOTE 3 — INVESTMENTS AND DEPOSITS**

RSA 100-A:15, I, provides separate and specific authorities to the Board of Trustees and the Independent Investment Committee for the management of the funds of the Plans and charges them with 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 has adopted a formal statement of investment policy. Primary components of the policy include the delineation of roles and responsibilities of the Board of Trustees, Independent Investment Committee, staff, and service providers; investment oversight considerations; asset allocation policy; and asset class performance measurement and monitoring policy. This policy may be modified by the Board of Trustees as deemed necessary. In addition, NHRS' Independent Investment Committee maintains separate account portfolio-level investment management objectives, guidelines and restrictions.

Professional investment managers are bound by policy and contract to a standard of care that establishes a fiduciary relationship, to the extent permitted by law, requiring the manager to act prudently and solely in the best interest of the Plans and 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 marketable investment portfolios against their 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, 2011 and June 30, 2010, NHRS held deposits of \$3,794 and \$7,932 thousand, 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, 2011 and June 30, 2010.

	(in thousands)	
	<b>June 30 2011</b>	<b>June 30 2010</b>
Insured	\$3,794	\$ 250
Uninsured and uncollateralized	—	\$7,682
<b>Total Deposits</b>	<b>\$3,794</b>	<b>\$7,932</b>

**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, however, all marketable investments are held by the Plans' master custodian, with the exception of those commingled funds managed by Aberdeen Asset Management, Inc.; GMO, LLC; Pacific Investment Management Company; and Wellington Management Company which are held in their respective custodial bank. The following table quantifies NHRS's exposure to custodial credit risk on its investments at June 30, 2011 and 2010:

(in thousands)

	June 30 2011	June 30 2010
Deposits: Exposed to Custodial Credit Risk	\$ 1,590	\$ 289
Investment Securities: Exposure to Custodial Credit Risk Not Determined	42,201	40,687
Investment Securities: Not Exposed to Custodial Credit Risk	5,777,911	4,788,560
<b>Totals</b>	<b>\$5,821,702</b>	<b>\$4,829,536</b>

**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 policy is expressed through individual separate account manager guidelines which limit investments in a single issuer to 10%, or less, of the portfolio value in order to control the overall risk of loss on a total portfolio level. This threshold is set as an upper limit, and in actual practice, managers generally do not reach this limit. Certain securities may be excluded from this limitation due to the nature of the investments (such as U.S. government securities, government-sponsored enterprise obligations, and supranational debt). NHRS fixed income managers have consistently adhered to the established guidelines for issuer concentration. The two managers of commingled fund fixed income portfolios have established investment guidelines regarding concentration of credit risk. The total portfolio is broadly-diversified across equities, fixed income, cash equivalent securities, real estate and alternative investments. Due to this diversification, the concentration of credit risk in a single issuer is below 5% at the total portfolio level.

**INTEREST RATE RISK — FIXED INCOME INVESTMENTS:**

Interest rate risk is the effect on the fair value of fixed income investments from changes in interest rates. Duration measures a debt investment's change in fair value arising from a change in interest rates.

Interest rate risk is illustrated on the following page using the effective duration or option-adjusted methodology. This methodology is widely-used in the management of fixed income portfolios to quantify the risk of interest rate changes. The effective duration methodology takes into account the most likely timing and magnitude of variable cash flows, such as callable options, prepayments and other factors, and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve.

The NHRS policy on duration is expressed through individual portfolio guidelines with each investment manager in lieu of a broad, plan-level policy. Duration guidelines have been established with each fixed income manager in order to manage interest rate risk within the separate account portfolios. The two commingled fund fixed income managers also have established investment guidelines regarding duration. These provisions specify that the duration of each individual fixed income portfolio will be managed within a specified percentage or number of years relative to its benchmark index. NHRS fixed income managers follow the established guidelines for duration. If there is an occasional exception, the manager prudently remedies the guideline breach.

The following effective duration tables quantify the interest rate risk of the Plans' fixed income assets at June 30, 2011 and 2010.

**EFFECTIVE DURATION — FIXED INCOME INVESTMENTS  
AT JUNE 30, 2011**

(dollars in thousands)

Investment Type	Investment Maturities (In Years)			
	Fair Value June 30, 2011	Percentage of Fixed Income Investments	Effective Duration in Years	Weighted Average Effective Duration in Years
Collateralized/Asset Backed Obligations	\$ 112,094	7.5%	4.1	0.3
Corporate Bonds	416,975	27.8%	7.1	2.0
Government and Agency Bonds	407,189	27.2%	4.7	1.3
NTGI Collective Daily Aggregate Bond Index Fund	109,477	7.3%	5.2	0.4
PIMCO Total Return Fund	452,822	30.2%	4.2	1.2
<b>Totals</b>	<b>\$1,498,557</b>	<b>100.0%</b>		<b>5.2</b>

**EFFECTIVE DURATION — FIXED INCOME INVESTMENTS AT JUNE 30, 2010** (dollars in thousands)

Investment Type	Investment Maturities (In Years)			
	Fair Value June 30, 2010	Percentage of Fixed Income Investments	Effective Duration in Years	Weighted Average Effective Duration in Years
Collateralized/Asset Backed Obligations	\$ 93,516	6.6%	2.6	0.2
Corporate Bonds	418,117	29.7%	7.1	2.1
Government and Agency Bonds	329,246	23.3%	5.2	1.2
NTGI Collective Daily Aggregate Bond Index Fund	133,955	9.5%	4.3	0.4
Pyramis Core Plus Commingled Pool	435,538	30.9%	3.9	1.2
<b>Totals</b>	<b>\$1,410,372</b>	<b>100.0%</b>		<b>5.1</b>

**CREDIT RISK — FIXED INCOME SECURITIES:**

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

NHRS controls credit risk on debt securities by establishing requirements for average credit quality at the separate account portfolio level and through credit quality standards for individual securities. The NHRS policy on credit quality is expressed through individual portfolio guidelines with each investment manager in lieu of a broad, plan-level policy. The investment guidelines are customized to the individual manager's strategy. NHRS fixed income managers follow established guidelines for credit quality. If there is an occasional exception, the manager prudently remedies the guideline breach. The NHRS applies standards with regard to securities rated by nationally recognized statistical rating organizations ("NRSRO") and uses the lowest agency ratings for evaluating the credit quality of a specific security. The two commingled fund fixed income managers have established investment guidelines regarding concentration of credit risk.

The following schedules illustrate the Plans' fixed income investments as of June 30, 2011 and 2010, including the distribution of those investments by Standard & Poor's quality credit ratings.

**CREDIT QUALITY RISK — FIXED INCOME SECURITIES AT JUNE 30, 2011** (in thousands)

Investment Type	Fair Value June 30, 2011	Quality Ratings <sup>1</sup>				
		AAA	AA	A	BBB or Lower	Unrated
Collateralized/Asset Backed Obligations	\$ 116,962	\$ 51,481	\$ 2,667	\$ 24,968	\$ 16,858	\$20,988
Corporate Bonds	416,975	18,119	61,449	144,574	189,869	2,964
Government and Agency Bonds <sup>2</sup>	244,960	123,714	22,883	46,446	29,091	22,826
NTGI Daily Aggregate Bond Index Fund <sup>3</sup>	109,477	—	109,477	—	—	—
Pacific Investment Management Company Core plus <sup>3</sup>	452,822	—	452,822	—	—	—
<b>Totals</b>	<b>\$1,341,196</b>	<b>\$193,314</b>	<b>\$649,298</b>	<b>\$215,988</b>	<b>\$235,818</b>	<b>\$46,778</b>
<b>Percent of Total Fair Value</b>		<b>14.4%</b>	<b>48.4%</b>	<b>16.1%</b>	<b>17.6%</b>	<b>3.5%</b>

<sup>1</sup>Ratings were derived primarily from Standard & Poor's (S&P). In instances where S&P did not rate a security, the Moody's rating was used.

<sup>2</sup>Government and Agency Bonds exclude U.S. government securities and securities explicitly guaranteed by the U.S. government (\$162,229) because these securities are not considered to have credit risk.

<sup>3</sup>Average credit quality ratings for commingled funds provided by Northern Trust Global Investments and Pacific Investment Management Company.

**CREDIT QUALITY RISK — FIXED INCOME SECURITIES AT JUNE 30, 2010** (in thousands)

Investment Type	Fair Value June 30, 2010	Quality Ratings				
		AAA	AA	A	BBB or Lower	Unrated
Collateralized/Asset Backed Obligations	\$ 97,894	\$ 54,742	\$ 5,399	\$ 3,858	\$ 12,750	\$21,145
Corporate Bonds	416,751	22,388	64,303	138,579	187,818	3,663
Government and Agency Bonds <sup>1</sup>	192,729	107,065	11,109	38,446	10,947	25,162
NTGI Daily Collective Aggregate Bond Index Fund <sup>2</sup>	133,955	—	133,955	—	—	—
Pyramis Core Plus Commingled Pool <sup>2</sup>	435,538	—	—	435,538	—	—
<b>Totals</b>	<b>\$1,276,867</b>	<b>\$184,195</b>	<b>\$214,766</b>	<b>\$616,421</b>	<b>\$211,515</b>	<b>\$49,970</b>
<b>Percent of Total Fair Value</b>		<b>14.4%</b>	<b>16.8%</b>	<b>48.3%</b>	<b>16.6%</b>	<b>3.9%</b>

<sup>1</sup>Government and Agency Bonds exclude U.S. government securities and securities explicitly guaranteed by the U.S. government (\$122,416) because these securities are not considered to have credit risk.

<sup>2</sup>Average credit quality ratings for commingled funds provided by Northern Trust Global Investments and Pyramis Global Advisors.

**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. The NHRS Board of Trustees adopted new asset allocation policy targets and ranges on July 13, 2010 based on a recommendation of the Investment Committee. Investments in non-U.S. equity securities have a target asset allocation of 20% of total investments with a target range of 15–25%. As of June 30, 2011, non-U.S. fixed income securities represent 4.1% of the total fund as a result of the managers' security selection process. Commingled fund investments have established parameters for foreign exposure. Non-U.S. investments are permitted in the alternative investment asset class which includes private equity and absolute return strategy investments. The target allocation for alternative investments is 10% and the NHRS investment policy does not set limits for foreign investments in this asset class. The target allocation for real estate investments is 10% and up to 35% of the Plans' commingled fund real estate allocation may be invested in non-U.S. investments.

In addition, NHRS manages its foreign currency risk exposure by requiring that investment managers diversify their non-U.S. portfolios by country, sector and by issuer to limit both foreign currency risk and security risk. In certain instances, where permitted in the investment guidelines, 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, 2011 and 2010 is presented on the following schedule on the following page.

**FOREIGN CURRENCY RISK — NON-U.S. INVESTMENTS** (in thousands)  
**AS OF JUNE 30, 2011**

Currency	Equity	Fixed Income	Alternative Investments	Cash and Cash Equivalents	Totals
Marketable Investments:					
Argentine peso	\$ —	\$ —	\$ —	\$ 7	\$ 7
Australian dollar	24,565	35,168	1,112	—	60,845
Brazilian real	24,408	10,917	—	—	35,325
British pound sterling	114,375	23,221	3,418	—	141,014
Canadian dollar	39,116	40,652	—	—	79,768
Czech koruna	1,754	—	—	—	1,754
Danish krone	18,349	—	—	—	18,349
Euro	229,584	4,673	2,910	401	237,568
Hong Kong dollar	83,753	—	5,682	47	89,482
Hungarian forint	1,477	4,036	—	—	5,513
Indian rupee	12,417	—	—	—	12,417
Indonesian rupiah	8,374	6,165	—	26	14,565
Japanese yen	101,758	—	23,064	118	124,940
Malaysian ringgit	4,452	7,204	—	—	11,656
Mexican peso	15,569	13,104	—	—	28,673
New Zealand dollar	—	21,735	—	—	21,735
Norwegian krone	8,395	13,026	—	—	21,421
Philippine peso	250	—	—	—	250
Polish zloty	4,992	9,221	—	—	14,213
Singapore dollar	6,926	1,159	1,632	—	9,717
South African rand	10,682	4,594	—	—	15,276
South Korean won	47,885	7,188	—	12	55,085
Swedish krona	19,927	—	409	16	20,352
Swiss franc	59,851	—	—	—	59,851
Taiwan dollar	21,024	—	—	963	21,987
Thai baht	1,806	—	447	—	2,253
Turkish lira	5,845	—	—	—	5,845
<b>Total investments subject to foreign currency risk</b>	<b>867,534</b>	<b>202,063</b>	<b>38,674</b>	<b>1,590</b>	<b>1,109,861</b>
Non-U.S. investments denominated in U.S. Dollars	225,490	39,794	20,109	—	285,393
<b>Total Non—U.S. Investments</b>	<b>\$1,093,024</b>	<b>\$241,857</b>	<b>\$58,783</b>	<b>\$1,590</b>	<b>\$1,395,254</b>

**FOREIGN CURRENCY RISK — NON-U.S. INVESTMENTS  
AS OF JUNE 30, 2010****(in thousands)**

<b>Currency</b>	<b>Equity</b>	<b>Fixed Income</b>	<b>Alternative Investments</b>	<b>Cash and Cash Equivalents</b>	<b>Totals</b>
<b>Marketable Investments:</b>					
Argentine peso	\$ —	\$ —	—	\$ 9	\$ 9
Australian dollar	21,756	27,703	—	—	49,459
Brazilian real	18,658	9,385	—	—	28,043
British pound sterling	94,764	11,769	—	—	106,533
Canadian dollar	23,312	30,992	—	5	54,309
Danish krone	16,081	—	—	49	16,130
Euro	149,845	—	—	—	149,845
Hong Kong dollar	60,899	—	—	42	60,941
Indonesian rupiah	3,378	7,896	—	—	11,274
Japanese yen	97,199	—	6,720	129	104,048
Malaysian ringgit	2,773	10,480	—	—	13,253
Mexican peso	10,124	12,821	—	—	22,945
New Zealand dollar	—	16,795	—	55	16,850
Norwegian krone	5,182	7,582	—	—	12,764
Philippine peso	762	—	—	—	762
Polish zloty	1,405	9,899	—	—	11,304
Singapore dollar	8,764	1,329	—	—	10,093
South African rand	639	2,865	—	—	3,504
South Korean won	20,095	8,587	—	—	28,682
Swedish krona	15,251	9,709	—	—	24,960
Swiss franc	50,062	—	—	—	50,062
Taiwan dollar	5,952	—	—	—	5,952
Turkish lira	3,225	—	—	—	3,225
<b>Total investments subject to foreign currency risk</b>	<b>610,126</b>	<b>167,812</b>	<b>6,720</b>	<b>289</b>	<b>784,947</b>
Non-U.S. investments denominated in U.S. Dollars	243,878	44,427	—	—	288,305
<b>Total Non-U.S. Investments</b>	<b>\$854,004</b>	<b>\$212,239</b>	<b>\$ 6,720</b>	<b>\$ 289</b>	<b>\$1,073,252</b>

**DERIVATIVES**

Derivative instruments are contracts whose values are based on the valuation of an underlying asset, reference rate or index. Derivatives include futures contracts, forward contracts, options contracts, and forward foreign currency exchanges. NHRS managers may enter into certain derivative instruments primarily to enhance the performance and reduce the volatility of the portfolio. As of June 30, 2011, there was \$11.6 million invested in equity futures (0.2% of total investments) and there were no investments in options within the separate account portfolios. As of June 30, 2010, there were no investments in futures or options within the separate account portfolios. The NHRS investment policy and certain investment manager guidelines allow for the use of derivative instruments. The use of futures, options, or forward contracts is permitted for defensive purposes only and any speculative hedging or leveraging of the portfolios is prohibited in separate account mandates. Managers of commingled funds have discretion over their respective investment guidelines which may allow for the use of derivative instruments.

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, investment managers conduct assessments of their counterparties and utilize exchanges which have trading standards.

Investments in asset-backed and mortgage-backed securities are reported at fair value. Although not generally considered to be derivatives, asset-backed and mortgage-backed securities receive cash flows from interest and principal payments on the underlying assets and mortgages. As a result, they are exposed to prepayment risk. As of June 30, 2011 and June 30, 2010, the Plans' combined investment in asset-backed and mortgage-backed securities held in separate account portfolios totaled \$271.5 million (4.6%) and \$154.8 million (3.2%) of total investments, respectively.

NHRS managers may use futures, options, and currency forward contracts in order to manage currency risk or initiate transactions in non-U.S. investments. NHRS may be positively or negatively impacted by foreign currency risk due to fluctuations in the value of different currencies. 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, investment managers conduct assessments of their counterparties and utilize exchanges which have trading 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, 2011 and June 30, 2010 are shown below.



**OPEN FOREIGN CURRENCY EXCHANGE CONTRACTS  
AT JUNE 30, 2011**

(in thousands)

	Local Currency Amount	Effective Date	Maturity Date	Original Foreign Exchange Rate	Unrealized Appreci- ation	Unrealized (Depre- ciation)
Foreign currency exchange contracts purchased:						
British pound sterling	16	6/30/11	7/5/11	0.6218132 GBP/USD	\$ —	\$ —
British pound sterling	12	6/30/11	7/5/11	0.6218132 GBP/USD	—	—
British pound sterling	16,630	5/26/11	8/31/11	0.6122836 GBP/USD	—	( 481)
Chinese yuan	16,988	4/21/11	1/11/12	6.3760000 CNY/USD	—	( 22)
Chinese yuan	12,447	6/30/11	1/11/12	6.4220000 CNY/USD	—	( 2)
Euro	17	6/30/11	7/5/11	0.6886104 EUR/USD	—	—
Hong Kong dollar	13	6/30/11	7/5/11	7.7825000 HKD/USD	—	—
Polish zloty	4,989	6/17/11	7/21/11	2.7956630 PLN/USD	30	—
Singapore dollar	3,230	4/21/11	7/26/11	1.2344540 SGD/USD	15	—
Turkish lira	10,035	5/6/11	8/10/11	1.5688500 TRY/USD	—	( 259)
Foreign currency exchange contracts sold:						
Australian dollar	24,111	4/6/11	7/11/11	1.0317000 USD/AUD	—	( 915)
Brazilian real	5,855	4/12/11	7/14/11	0.6185822 USD/BRL	—	( 117)
Brazilian real	7,822	5/4/11	7/14/11	0.6131960 USD/BRL	—	( 198)
British pound sterling	2,646	6/7/11	8/31/11	1.6430000 USD/GBP	103	—
British pound sterling	2,000	6/8/11	8/31/11	1.6365000 USD/GBP	64	—
British pound sterling	1,775	6/9/11	8/31/11	1.6360000 USD/GBP	56	—
Canadian dollar	5,207	5/11/11	8/16/11	1.0401065 USD/CAD	26	—
Euro	11,469	5/20/11	8/24/11	1.4132000 USD/EUR	—	( 396)
Euro	7,703	5/6/11	11/9/11	1.4331200 USD/EUR	—	( 87)
Hong Kong dollar	46	6/29/11	7/1/11	0.1283779 USD/HKD	—	—
Hungarian forint	97	6/30/11	7/5/11	0.0054585 USD/HUF	—	—
New Zealand dollar	11,044	6/6/11	9/12/11	0.8110000 USD/NZD	—	( 122)
Polish zloty	4,989	4/18/11	7/21/11	0.3538224 USD/PLN	—	( 49)
Swedish krona	99	6/29/11	7/1/11	0.1560062 USD/SEK	—	—
<b>Totals</b>					<b>\$294</b>	<b>(\$2,648)</b>

**OPEN FOREIGN CURRENCY EXCHANGE CONTRACTS  
AT JUNE 30, 2010**

(in thousands)

	Local Currency Amount	Effective Date	Maturity Date	Original Foreign Exchange Rate	Unrealized Appreci- ation	Unrealized (Depre- ciation)
Foreign currency exchange contracts purchased:						
British pound sterling	16,990	5/27/2010	8/31/2010	0.6887408 GBP/USD	\$ 750	\$ —
Euro	159	6/30/2010	7/1/2010	0.8143986 EUR/USD	—	( 1)
Euro	55	6/28/2010	7/1/2010	0.8133388 EUR/USD	—	—
Euro	59	6/30/2010	7/1/2010	0.8143986 EUR/USD	—	—
Euro	57	6/30/2010	7/2/2010	0.8143986 EUR/USD	—	—
Euro	73	6/30/2010	7/2/2010	0.8149959 EUR/USD	—	—
Euro	58	6/30/2010	7/2/2010	0.8149959 EUR/USD	—	—
Euro	18	6/30/2010	7/2/2010	0.8169935 EUR/USD	—	—
New Zealand dollar	4,485	6/2/2010	9/7/2010	1.4841199 NZD/USD	47	—
Polish zloty	9,500	5/28/2010	7/1/2010	3.2879000 PLN/USD	—	( 76)
South Korean won	10,104,990	1/19/2010	7/21/2010	1137.6500 KRW/USD	—	( 618)
Foreign currency exchange contracts sold:						
Australian dollar	23,311	4/28/2010	7/30/2010	0.9141600 USD/AUD	1,686	—
Danish krone	89	6/29/2010	7/1/2010	0.1635992 USD/DKK	—	—
Danish krone	212	6/30/2010	7/1/2010	0.1647609 USD/DKK	—	—
Japanese yen	1,120	6/29/2010	7/1/2010	0.0112549 USD/JPY	—	—
Polish zloty	9,500	6/16/2010	7/1/2010	0.2992937 USD/PLN	30	—
South Korean won	10,104,990	6/7/2010	7/21/2010	0.0008081 USD/KRW	—	( 98)
Swedish krona	47,853	6/16/2010	9/20/2010	0.1286174 USD/SEK	6	—
<b>Totals</b>					<b>\$2,519</b>	<b>(\$793)</b>

**SECURITIES LENDING**

NHRS terminated its Securities Lending program during Fiscal Year 2011, due to the poor risk to reward relationship and the limited earning potential associated with this activity due to extremely low interest rates. The program was exited completely in January of 2011.

Prior to the program’s termination, NHRS had a Securities Lending agreement with its master custodian. In accordance with this agreement the Plans participated in a securities lending program administered by the custodian. The Plans received revenue based on the net amount of the invested collateral and the rebates paid to the borrowers. During the duration of securities loans, the Plans received dividends and coupon payments equivalent to amounts that would be received had the securities not been loaned.

Eligible collateral for securities loaned included U.S. and non-U.S. currencies; Organization of Economic Cooperation and Development (OECD) government securities; equities; irrevocable letters of credit; approved certificates of deposits; and approved corporate debt securities. The Plans were indemnified by the custodian in the event a borrower did not return loaned securities due to the insolvency of the borrower or if the custodian failed to live up to its contractual responsibilities.

The custodian’s responsibilities as lending agent included 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. Credit risk on loaned securities was 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 the loans at 102.0% for loans of U.S. securities and 105.0% for loans of non-U.S. securities, plus accrued interest, management believes that credit risk was mitigated as the Plans owed borrowers more than borrowers owed the Plans.

During the fiscal year, NHRS continually reduced its outstanding loan cap per the parameters allowed by its custodian until a complete exit from securities lending in January of 2011.

The fair value of securities on loan, the collateral held, and the securities lending income as of June 30, 2011 and June 30, 2010 are presented below.

<b>SECURITIES LENDING ACTIVITIES</b>			(\$ in thousands)
	<b>2011</b>	<b>2010</b>	
Fair Value of U.S. and Non-U.S. Securities on Loan	\$ 0	\$455,968	
Collateral Held Against U.S. and Non-U.S. Securities	0	471,064	
Ratio of Collateral held to Loaned Securities	N/A	103.4%	
Net Income From Securities Lending Program	\$333	\$ 1,425	

During the fiscal year, the NHRS also participated in securities lending indirectly, as an investor in the following NTI Collective Investment Trusts: Daily Russell 1000 Index Fund Lending; Daily Russell 2000 Index Fund Lending; Daily Aggregate Bond Index Fund Lending; and Daily All Country World Index ex U.S. Fund Lending. NTI, as manager of these commingled index funds, held authority for all decisions regarding securities lending activity and collateral investment utilized within these portfolios. The revenue received by the commingled funds on behalf of clients was used to purchase additional securities. NHRS initiated a gradual exit from each of these funds during fiscal year 2010 in accordance with trading windows established by NTI. By the end of August 2010, NHRS completed this redemption process and had no securities lending exposure through NTI Collective Investment Trusts. None of the commingled funds in which NHRS initiated investment in fiscal year 2011 participated in securities lending activities through June 30, 2011.

**NOTE 4—FUNDING PROGRESS**

The funding status of the Pension Plan as of the most recent actuarial valuation data is as follows (dollar amounts in thousands):

<b>SCHEDULE OF FUNDING PROGRESS — PENSION PLAN</b>							(\$ in thousands)
<b>Fiscal Year Ended</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UALL) (b-a)</b>	<b>Percent Funded (a/b)</b>	<b>Annual Covered Payroll (c)</b>	<b>UAAL Percentage of Covered Payroll ((b-a)/c)</b>	
6/30/2011	\$5,740,516	\$9,998,251	\$4,257,735	57.4%	\$2,517,779	169.1%	
6/30/2010	\$5,233,838	\$8,953,932	\$3,720,094	58.5%	\$2,481,384	149.9%	
6/30/2009	\$4,937,320	\$8,475,052	\$3,537,732	58.3%	\$2,448,287	144.5%	



**SCHEDULE OF FUNDING PROGRESS — OPEB PLANS**

(\$ in thousands)

The funding status of the OPEB Plans as of the most recent actuarial valuation date is as follows:

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)
<b>Group II — Police Officers &amp; Firefighters</b>						
06/30/11	\$ 9,907	\$341,942	\$332,036	2.9%	\$ 367,536	90.3%
06/30/10	\$ 16,475	\$443,589	\$427,114	3.7%	\$ 367,492	116.2%
06/30/09	\$119,970	\$272,012	\$152,042	44.1%	\$ 365,617	41.6%
<b>Group I — Teachers</b>						
06/30/11	(\$ 6,131)	\$262,107	\$268,238	(2.3%)	\$1,036,376	25.9%
06/30/10	\$ 7,365	\$367,482	\$360,117	2.0%	\$1,020,745	35.3%
06/30/09	\$20,575	\$249,070	\$228,495	8.3%	\$1,003,514	22.8%
<b>Group I — Political Subdivision Employees</b>						
06/30/11	\$28,917	\$ 77,650	\$48,733	37.2%	\$579,759	8.4%
06/30/10	\$33,978	\$100,507	\$66,529	33.8%	\$572,435	11.6%
06/30/09	\$36,255	\$ 61,468	\$25,213	59.0%	\$570,404	4.4%
<b>Group I — State Employees</b>						
06/30/11	\$ 527	\$ 95,873	\$ 95,347	0.5%	\$534,288	17.8%
06/30/10	—	\$122,285	\$122,285	0.0%	\$520,712	23.5%
06/30/09	—	\$ 90,841	\$ 90,841	0.0%	\$508,752	17.9%

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 schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present 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 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.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between employer and plan members to that point.

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.

#### **NOTE 5—SIGNIFICANT CHANGES IN ACTUARIAL ASSUMPTIONS AND BENEFIT PROVISIONS OCCURRING SINCE THE JUNE 30, 2007 ACTUARIAL VALUATION**

##### **Changes in actuarial assumptions for fiscal year 2011:**

The investment rate of return assumption was reduced from 8.5% to 7.75%.  
The wage inflation assumption was reduced from 4.50% to 3.75%.

##### **Legislation was enacted in the 2011 legislative session which:**

- (a) Changes the definition of Earnable Compensation for active members who begin service on or after July 1, 2011 or who are not in vested status as of January 1, 2012.

	Pension Plan	OPEB Plans
<b>Valuation Date</b>	06/30/2011	06/30/2011
<b>Actuarial Cost Method</b>	Entry age normal	Entry age normal
<b>Amortization Method</b>	Level percentage of payroll, closed	Level percentage of payroll, closed
<b>Equivalent single amortization period</b>	26 years From 06/30/2010	15 years* From 06/30/2010
<b>Asset valuation method</b>	5-year smoothed market	5-year smoothed market
<b>Actuarial Assumptions:</b>		
<b>Investment rate of return*</b>	7.75%	3.75%
<b>Projected salary increases*</b>	4.15% to 24.55%	4.15% to 24.55%
<b>*Includes Price Inflation at</b>	3.0%	3.0%
<b>Rate of Payroll Growth</b>	3.75%	3.75%
<b>Valuation Health Care Trend Rate</b>	N/A	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. There have been no annual increases since July 1, 2007

\*The ARC is based on the greater of a 26-year amortization period or the amount necessary to meet cash flow.

- (b) For active members who commenced service on or after July 1, 2011 or who have non-vested status as of January 1, 2012 Average Final Compensation equals the average annual Earnable Compensation during the highest 5 years of creditable service.
- (c) For members who commenced service on or after July 1, 2009 or are not vested as of January 1, 2012, a member's retirement benefit shall not exceed the lesser of 85% of the member's highest average final compensation or \$120,000.
- (d) Group I members commencing service on or after July 1, 2011 are eligible to retire at age 65 and are eligible for a reduced annuity at age 60 with 30 years of creditable service. Prior to age 65, the state annuity, together with the member annuity, shall be equal to 1/66th of AFC times creditable service reduced for each month prior to the month after the member attains age 65 by ¼ of 1%. After age 65, the state annuity, together with the member annuity, shall be equal to 1/66th of AFC times creditable service, reduced for each month prior to the month after the member attains age 65 by 1/4 of 1%.
- (e) Group II members commencing service on or after July 1, 2011 are eligible to retire at age 52.5 with 25 years of creditable service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a service retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age, by 1/4 of 1%.
- (f) Group II members hired prior to July 1, 2011 who have non-vested status as of January 1, 2012 shall be subject to transition provisions for years of service required for regular service retirement, the minimum age for regular service retirement, and the multiplier used to calculate the retirement annuity, which shall be applicable on January 1, 2012.

Years of Creditable Service as of January 1, 2012	Minimum Age	Minimum Service	Benefit Multiplier
At least 8 but less than 10 years	46	21	2.4 %
At least 6 but less than 8 years	47	22	2.3 %
At least 4 but less than 6 years	48	23	2.2 %
Less than 4 years	49	24	2.1 %
Hired on or after July 1, 2011	52.5*	25	2.0 %

\*These members are eligible for a reduced service retirement pension at age 50.

- (g) Member Contributions  
 Group I (Employee and Teacher) members: 7.0% of earnable compensation.  
 Group II Fire members: 11.80% of earnable compensation.  
 Group II Police members: 11.55% of earnable compensation.  
 Group II (Police and Fire) member contributions cease for members who are in vested status before January 1, 2012 with creditable service in excess of 40 years. Member contributions cease for all other  
 Group II (Police and Fire) members with creditable service in excess of 42.5 years.
- (h) Medical Subsidy — After July 1, 2007 the rate payable shall not be increased.
- (i) Interest on the individual accounts of members in the member annuity savings fund shall be credited interest at 2 percentage points less than either the most recent board of trustees approved assumed rate of return determined under RSA 100-A:16, II(h) or the actual rate of return, whichever is lower for the immediately preceding fiscal year as reported in the CAFR as approved and accepted by the board of trustees by December 1 of each year, provided the rate shall not be less than zero.
- (j) Any retired member who retired from a political subdivision and is receiving a Medical Subsidy under RSA 100-A:52 or RSA 100-A:52-a shall be entitled to receive an additional temporary supplemental allowance. The amount of the additional temporary supplemental allowance shall be \$500 for retirees taking a one-person medical benefit and \$1,000 for retirees taking a 2-person medical benefit, paid from the respective component of the reserve for TSAs. The supplemental allowance shall apply only for the fiscal years beginning July 1, 2008 up to and including the fiscal year beginning July 1, 2012.
- (k) Transfer the balance in each Special Account component (Employee, Teacher, Police, and Fire) to the corresponding components of the State Annuity Accumulation Fund except for funds necessary to comply with RSA 100-A:41-d, III, as amended.
- (l) Part-time employment of anyone who retired from an NHRS employer and is in receipt of a pension shall not exceed 32 hours in a normal calendar week, with some exceptions for employment within a 5-consecutive month block of any 12-month period. This limit only applies to retirees working for an NHRS participating employer.
- (m) NHRS Board of Trustees will consist of four employee trustees (1 Teacher, 1 Employee, 1 Police, and 1 Fire), four employer trustees (1 state, 1 county, 1 municipal, 1 school), four non-member trustees selected by the Governor, and the State Treasurer, who serves ex officio. The board must submit quarterly reports to the chairpersons of the House and Senate Executive Departments and Administration committees describing recent board actions including investment returns and any changes to actuarial assumptions.
- (n) RSA 100-A:6, III(b)(3), relative to the Group II accidental disability beneficiary exception from gainful occupation reduction, is repealed.
- (o) RSA 100-A:4-b and c, relative to members purchase of credit for out-of state service, are repealed.
- (p) The Board of Trustees of the retirement system shall recalculate employer contribution rates for the state fiscal years 2012 and 2013 to reflect approved legislative changes. Such employer contribution rates shall be effective “as soon as possible” following July 1, 2011.
- (q) Employer assessment for “excess” end-of-career payments delayed until July 1, 2012 and assessment formula changed; NHRS directed to post an online calculator based on new formula within 30 days of passage.
- (r) Transfer of \$89,000,000 from the Group II Special Account to the State Annuity Accumulation Fund (SAAF).
- (s) RSA 100-D, relative to the Sudan Divestment Act, is repealed.

**Changes in actuarial assumptions for fiscal year 2010:**

The investment rate of return assumption for the health plan was reduced from 8.5% to 4.5%.

**Legislation was enacted in the 2010 legislative session which:**

- (a) Extended the effective date from July 1, 2010 to July 1, 2011 of 2008 legislation (Chapter 300, Laws of 2008) which created a so-called “anti-spiking” provision through the enactment of a special 125% employer assessment. A legislative study commission will continue to evaluate proposals for the assessment methodology.
- (b) Effective July 1, 2010, granted a 1.5% COLA to be added to the base pension on the first \$30,000 of pension benefits to all retirees and beneficiaries who had been retired for at least 12 months by July 1, 2010. In addition, two additional lump sum temporary allowances were provided as follows:

- 1.) Only for the fiscal year beginning July 1, 2010, a supplemental allowance of \$1,000 for any retired member or beneficiary who had been retired at least 12 months whose annual retirement is based on at least 15 years of service and is \$20,000 or less annually;
  - 2.) Only for the fiscal year beginning July 1, 2010, a supplemental allowance of \$500 for any retired member or beneficiary who retired prior to January 1, 1993.
- (c) Legislation passed in the fiscal year 2008 legislative session granted a third temporary supplemental allowance beginning July 1, 2008 and continuing on each July 1st through July 1, 2011. Retirees and beneficiaries receiving a one-person medical subsidy are to receive a lump sum temporary supplemental allowance of \$500 and retirees receiving a two-person medical subsidy are to receive a lump sum temporary supplemental allowance of \$1,000. Once a recipient becomes eligible for Medicare, the additional temporary supplemental allowances shall be reduced to 60 percent of the non-Medicare eligible retiree amounts.
- Item (a) will have no impact on the normal employer contribution rates.
- Items (b) and (c) will have no impact on the normal employer contribution rates determined using the entry age normal funding method because, as required by the legislation, the costs are terminally funded from the Special Account at a cost of \$65.9 million.

**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 2007 have been determined on an actuarial basis using the entry age normal cost method.

The State funds 100% of the employer normal costs for all State employees, and for fiscal year 2011 the State funded 25% of the employer normal costs for teachers, police officers, and firefighters employed by political subdivisions. For fiscal year 2010, the State funded 30% 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, 2011 is \$2,517.8 million and the annual covered payroll for the fiscal year ended June 30, 2010 was \$2,481.4 million.

The following tables show the percentages of gross payroll contributed by the State, other contributing employers, and members to the pension plan and the OPEB plans.

**TOTAL CONTRIBUTION RATES — PENSION PLAN**

Member Category	Member Normal Share	(FY 2011)			Member Normal Share	(FY 2010)		
		Employer Normal Share				Employer Normal Share		
		State	Local	Total		State	Local	Total
Employees								
State	5.00%*	9.09%	—%	9.09%	5.00%*	9.16%	—%	9.16%
Local	5.00%	—%	9.09%	9.09%	5.00%	—%	9.16%	9.16%
Teachers	5.00%	2.35%	7.03%	9.38%	5.00%	3.21%	7.49%	10.70%
Police Officers	9.30%	4.34%	13.00%	17.34%	9.30%	5.85%	13.66%	19.51%
Firefighters	9.30%	5.63%	16.89%	22.52%	9.30%	7.41%	17.28%	24.69%

\*State employees hired on or after July 1, 2009 are required to contribute a member normal share of 7.00%.

\*\*Total employer normal rate for Teachers is 10.70%, for Police Officers 19.51%, and for Firefighters 24.49%.

**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. For fiscal year 2009 and prior, the OPEB Plans were funded by allocating 25% of all employer contributions made in accordance with RSA 100-A:16 to the 401(h) subtrust until such time as the benefits were fully funded.

Beginning with fiscal year 2010, the OPEB Plans are to be funded by allocating to the 401(h) subtrust the lesser of:

- a.) 25% of all employer contributions made in accordance with RSA 100-A:16; or
- b.) the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53, RSA 100-A:53-b, RSA 100-A:53-c and RSA 100-A:53-d.

For fiscal year 2011, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust.

The State funds 100% of the employer normal costs for all State employees and for fiscal year 2011 the State funded 25% of the employer normal costs for teachers, police officers and firefighters employed by political subdivisions. For fiscal year 2010, the State funded 30% 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.

**TOTAL CONTRIBUTION RATES — OPEB PLANS**

Member Category	Member Normal Share	(FY 2011)			Member Normal Share	(FY 2010)		
		Employer Normal Share State	Local	Total		Employer Normal Share State	Local	Total
Employees								
State	—	1.96%	—	1.96%	—	1.96%	—	1.96%
Local	—		0.07%	0.07%	—		0.07%	0.07%
Teachers	—	0.33%	0.99%	1.32%	—	0.40%	0.92%	1.32%
Police Officers	—	0.54%	1.63%	2.17%	—	0.65%	1.52%	2.17%
Firefighters	—	0.54%	1.63%	2.17%	—	0.65%	1.52%	2.17%

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

**TOTAL AMOUNTS CONTRIBUTED — PENSION AND OPEB PLANS**

Member Category	Member Normal Share**	(FY 2011)			Member Normal Share	(FY 2010)		
		Pension Plan*	OPEB Plans*	Total Contributions		Pension Plan*	OPEB Plans*	Total Contributions
Employees	\$ 59,313	\$103,462	\$10,756	\$173,531	\$ 59,609	\$101,186	\$10,803	\$171,598
Teachers	56,200	98,032	13,790	168,023	54,238	97,110	13,614	164,962
Police Officers	26,212	46,922	5,851	78,984	25,419	46,391	5,746	77,556
Firefighters	10,687	26,166	2,504	39,357	10,246	24,990	2,397	37,633
<b>Total Contributed</b>	<b>\$152,412</b>	<b>\$274,582</b>	<b>\$32,901</b>	<b>\$459,895</b>	<b>\$149,512</b>	<b>\$269,677</b>	<b>\$32,560</b>	<b>\$451,749</b>

\*Includes contributions made by both State and local employers and State payments made on behalf of the local employers  
 \*\*Includes voluntary member contributions of \$11.9 million in FY 2011 and \$10.0 million in FY 2010.

**TOTAL AMOUNTS CONTRIBUTED EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL PENSION AND OPEB PLANS**

Member Category	Member Normal Share**	(FY 2011)			Member Normal Share	(FY 2010)		
		Pension Plan*	OPEB Plans*	Total Contributions		Pension Plan*	OPEB Plans*	Total Contributions
Employees	5.32%	9.29%	0.97%	15.58%	5.45%	9.26%	0.99%	15.70%
Teachers	5.42%	9.46%	1.33%	16.21%	5.31%	9.51%	1.33%	16.16%
Police Officers	10.10%	18.08%	2.25%	30.43%	9.83%	17.95%	2.22%	30.00%
Firefighters	9.89%	24.22%	2.32%	36.43%	9.40%	22.92%	2.20%	34.52%
<b>Total Contributed</b>	<b>6.05%</b>	<b>10.91%</b>	<b>1.31%</b>	<b>18.27%</b>	<b>6.03%</b>	<b>10.87%</b>	<b>1.31%</b>	<b>18.21%</b>

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 2011 and 2010 fiscal years were based on the June 30, 2007 actuarial valuation.

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

NET ASSETS HELD IN TRUST FOR BENEFITS	(in thousands)	
	2011	2010
JUNE 30		
Pension		
Employees	\$1,864,849	\$1,485,873
Teachers	2,190,420	1,768,347
Police Officers	1,199,444	862,360
Firefighters	582,712	402,668
Special Account	20,000	328,604
<b>Subtotal Pension</b>	<b>\$5,857,425</b>	<b>\$4,847,852</b>
OPEB Plans		
Group II Police Officers & Firefighters	\$ 10,066	\$ 14,386
Group I Teachers	( 6,229)*	6,431
Group I Political Subdivision Employees	29,382	29,670
Group I State Employees	535	—
<b>Subtotal OPEB Plans</b>	<b>\$ 33,754</b>	<b>\$ 50,487</b>
<b>TOTAL NET ASSETS HELD IN TRUST FOR BENEFITS</b>	<b>\$5,891,179</b>	<b>\$4,898,339</b>

\* The Group I Teachers OPEB plan currently has a negative balance due to higher than anticipated retirement rates and the lag of when contribution rates are set vs. when they are effective. This has been considered in the current valuation and the negative balance will be collected through higher future contribution rates.

**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 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 employee component 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 to be funded annually with all of the earnings on an actuarial basis generated by Special Account assets plus the earnings generated by 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 7.75% and 8.50% for the years ended June 20, 2011 and June 30, 2010 respectively. Therefore, earnings in excess of 8.25% for fiscal year 2011 and 9.00% for fiscal year 2010, if any, would have been credited to the Special Account. However, legislation was enacted during fiscal year 2007 restricting any funds from being credited to the Special Account from Pension Plan assets until the funded ratio of the consolidated retirement system as of June 30th 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 from Pension Plan assets. Because the funded ratios of the Plan at June 30, 2011 and June 30, 2010 were below 85%, no funds were transferred to the Special Account for those years.

Two bills were passed during the 2011 Legislative Session that impacted the Special Account. One required a transfer of \$89 million from the Group II-Police and Fire components of the Special Account to the state annuity accumulation fund. The second piece of legislation required a transfer of the balance of all funds remaining in the Special Account, except for the funds necessary to comply with the requirements of RSA 100-A:41-d, III regarding temporary supplemental allowances due to be paid July 1, 2012. This legislation resulted in an additional transfer from the special account to the state annuity accumulation fund of \$167.3 million for a total transfer of \$256.3 million. As of June 30, 2011, the balance remaining in the Special Account was \$20.0 million. The comparable figure for June 30, 2010 was \$328.6 million.

**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 69 full-time and part-time employees and the costs associated with operating and maintaining computer systems.

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**NOTE 8 — CONTINGENT MATTERS**

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The NHRS is a co-defendant, along with the State of New Hampshire, in a suit filed in the New Hampshire Court system. The plaintiff parties are seeking relief from statutory changes made in the 2008 legislative session by the New Hampshire Legislature.

The plaintiff parties are seeking relief from statutory changes in the 2008 legislative session that:

- Amended the definition of earnable compensation
- Changed Cost-of Living Adjustments (COLAs) formulas from prior year formulas
- Suspended and permanently reduced the annual 8% escalation increase in medical subsidy benefits

This case is currently in the discovery process.

In addition, the NHRS was named as a co-defendant along with the State of New Hampshire in a lawsuit filed in NH Superior Court by the City of Concord, Belknap County and Mascenic Regional School District, with backing from approximately 294 other New Hampshire municipalities, counties, school districts and school administrative units. The suit challenged the constitutionality of the reduction in the State's share of funding for local employer costs for teachers, firefighters and police officers in fiscal years 2010 and 2011 from 35%, to 30% and 25%, respectively. The lawsuit alleged that the reduction for those two fiscal years violated the NH State Constitution as an unfunded mandate imposed by the State on the local employers.

During fiscal year 2011, the NH Superior Court found for the NHRS and the State of New Hampshire that the reductions did not create an unfunded mandate in violation of the NH State Constitution. The plaintiffs are appealing that Superior Court decision to the NH Supreme Court.

In the opinion of management and legal counsel, the suits will not have an adverse effect on the NHRS's financial status.



## REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS — PENSION PLAN						(\$ in thousands)
Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UALL) (b-a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UALL Percentage of Covered Payroll ((b-a)/c)
6/30/2011	\$5,740,516	\$9,998,251	\$4,257,735	57.4%	\$2,517,779	169.1%
6/30/2010	\$5,233,838	\$8,953,932	\$3,720,094	58.5%	\$2,481,384	149.9%
6/30/2009	\$4,937,320	\$8,475,052	\$3,537,732	58.3%	\$2,448,287	144.5%
6/30/2008	\$5,302,034	\$7,821,316	\$2,519,282	67.8%	\$2,308,321	109.1%
6/30/2007	\$4,882,256	\$7,259,715	\$2,397,459	67.0%	\$2,195,339	109.2%

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.

### SCHEDULE OF EMPLOYER CONTRIBUTIONS — PENSION PLAN\*\*

Fiscal Year	Classification	Annual Required Contribution (ARC)* (in thousands)	Percent of ARC** Recognized as Contributions
2011	Employees	103,462	100.00%
	Teachers	98,032	100.00%
	Police Officers	46,922	100.00%
	Firefighters	26,166	100.00%
2010	Employees	101,186	100.00%
	Teachers	97,110	100.00%
	Police Officers	46,391	100.00%
	Firefighters	24,990	100.00%
2009	Employees	96,397	75.00%
	Teachers	89,011	75.00%
	Police Officers	49,167	75.00%
	Firefighters	26,655	75.00%
2008	Employees	92,207	75.00%
	Teachers	85,561	75.00%
	Police Officers	47,383	75.00%
	Firefighters	25,369	75.00%
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%

\*Includes unfunded accrued liability contributions and excludes oversight contributions.

\*\*For fiscal year 2009 and 2008, 75% of the pension plan annual required contributions (ARC) were paid compared with an ARC of 100% in prior years.

The employer pension contribution rates for fiscal year 2009 and 2008 were established in the June 30, 2005 actuarial valuation. Those employer pension contribution rates were certified by the NHRS Board of Trustees in fiscal year 2006 and employers were notified in fiscal year 2006 of the fiscal year 2008–2009 rates to enable employers time to budget for their anticipated 2008–2009 employer contributions.

For fiscal years 2009 and 2008, 25% of all employer pension contributions were transferred to the OPEB plans in accordance with State statute. Prior to fiscal year 2008, the Medical Special Account would reimburse the pension plan for all employer contributions transferred making the pension plan whole for any employer contributions transferred to the OPEB plans. In conjunction with a fiscal year 2007 federal and state compliance review conducted by external legal counsel, a recommendation was made to the NHRS Board of Trustees that the reimbursement process from the Medical Special Account be eliminated as it was not in compliance with federal tax regulations. The NHRS Board of Trustees eliminated the Medical Special Account reimbursement process starting with fiscal year 2008. In fiscal year 2009 and 2008, 25% of all employer contributions were transferred into the OPEB plans in accordance with State statute but there is no longer any reimbursement from the Medical Special Account leaving the pension plan with an ARC of 75% for fiscal year 2009 and for 2008.

Employers have paid 100% of the employer contributions rates certified to them for fiscal years 2009 and 2008. The shortfall in amounts paid by employers due to the elimination of the Medical Special Account reimbursement will be recovered through future employer rates starting with fiscal year 2010 when separate and distinct employer rates will be established for both the pension plan and the OPEB plans that will allow the ARC for the pension plan and OPEB plans to return to 100%.

**SCHEDULE OF FUNDING PROGRESS — OPEB PLANS**

(\$ 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)
<b>Group II — Police Officers &amp; Firefighters</b>						
06/30/11	\$ 9,907	\$341,942	\$332,036	2.9%	\$ 367,536	90.3%
06/30/10	\$ 16,475	\$443,589	\$427,114	3.7%	\$ 367,492	116.2%
06/30/09	\$119,970	\$272,012	\$152,042	44.1%	\$ 365,617	41.6%
06/30/08	\$119,533	\$265,226	\$145,694	45.1%	\$ 341,221	42.7%
06/30/07	\$109,475	\$248,080	\$138,605	44.1%	\$ 330,713	41.9%
<b>Group I — Teachers</b>						
06/30/11	(\$ 6,131)	\$262,107	\$268,238	(2.3%)	\$1,036,376	25.9%
06/30/10	\$ 7,365	\$367,482	\$360,117	2.0%	\$1,020,745	35.3%
06/30/09	\$ 20,575	\$249,070	\$228,495	8.3%	\$1,003,514	22.8%
06/30/08	\$ 22,650	\$246,616	\$223,967	9.2%	\$ 957,068	23.4%
06/30/07	\$ 19,880	\$236,049	\$216,169	8.4%	\$ 922,308	23.4%
<b>Group I — Political Subdivision Employees</b>						
06/30/11	\$ 28,917	\$ 77,650	\$ 48,733	37.2%	\$ 579,579	8.4%
06/30/10	\$ 33,978	\$100,507	\$ 66,529	33.8%	\$ 572,435	11.6%
06/30/09	\$ 36,255	\$ 61,468	\$ 25,213	59.0%	\$ 570,404	4.4%
06/30/08	\$ 50,250	\$ 62,097	\$ 11,846	80.9%	\$ 534,329	2.2%
06/30/07	\$ 41,845	\$ 58,857	\$ 17,012	71.1%	\$ 507,311	3.4%
<b>Group I — State Employees</b>						
06/30/11	\$ 527	\$ 95,873	\$ 95,347	0.5%	\$ 534,288	17.8%
06/30/10	—	\$122,285	\$122,285	0.0%	\$ 520,712	23.5%
06/30/09	—	\$ 90,841	\$ 90,841	0.0%	\$ 508,752	17.9%
06/30/08	(\$ 17,246)	\$ 95,936	\$113,181	0.0%	\$ 475,703	23.8%
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.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS — OPEB PLANS**

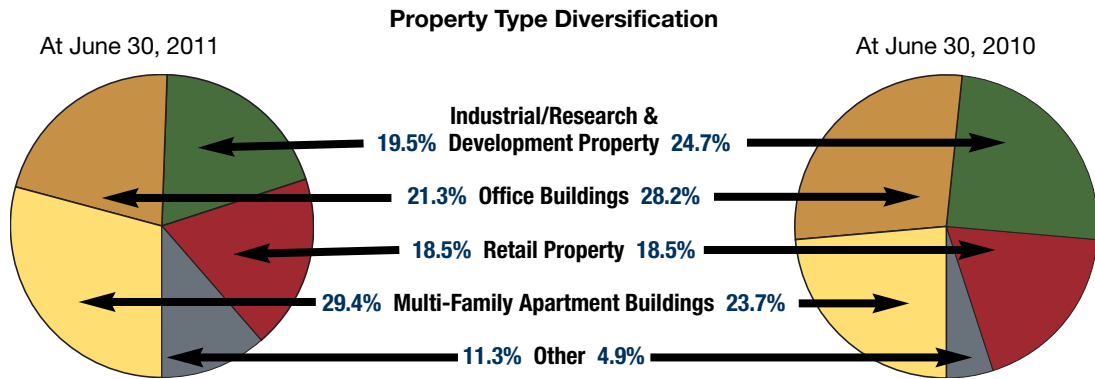
Fiscal Year	Classification	Annual Contribution (ARC)* (in thousands)	Percent of ARC Recognized as Contributions
2011	Group II Police Officers & Firefighters	8,355	100.00%
	Group I Teachers	13,790	100.00%
	Group I Political Subdivision Employees	423	100.00%
	Group I State Employees	10,333	100.00%
2010	Group II Police Officers & Firefighters	8,143	100.00%
	Group I Teachers	13,614	100.00%
	Group I Political Subdivision Employees	404	100.00%
	Group I State Employees	10,399	100.00%
2009	Group II Police Officers & Firefighters	18,707	100.00%
	Group I Teachers	22,998	100.00%
	Group I Political Subdivision Employees	12,381	100.00%
	Group I State Employees	11,150	100.00%
2008	Group II Police Officers & Firefighters	17,369	100.00%
	Group I Teachers	22,887	100.00%
	Group I Political Subdivision Employees	11,420	100.00%
	Group I State Employees	10,030	100.00%
2007	Group II Police Officers & Firefighters	18,078	100.00%
	Group I Teachers	17,791	100.00%
	Group I Political Subdivision Employees	11,858	100.00%
	Group I State Employees	10,474	100.00%

\*For fiscal year 2009 and prior, the OPEB Plans were funded by allocating 25% of all employer contributions made in accordance with RSA 100-A:16 to the 401(h) subtrust until such time as the benefits were fully funded. Beginning with fiscal year 2010, the OPEB Plans are to be funded by allocating to the 401(h) subtrust the lesser of:

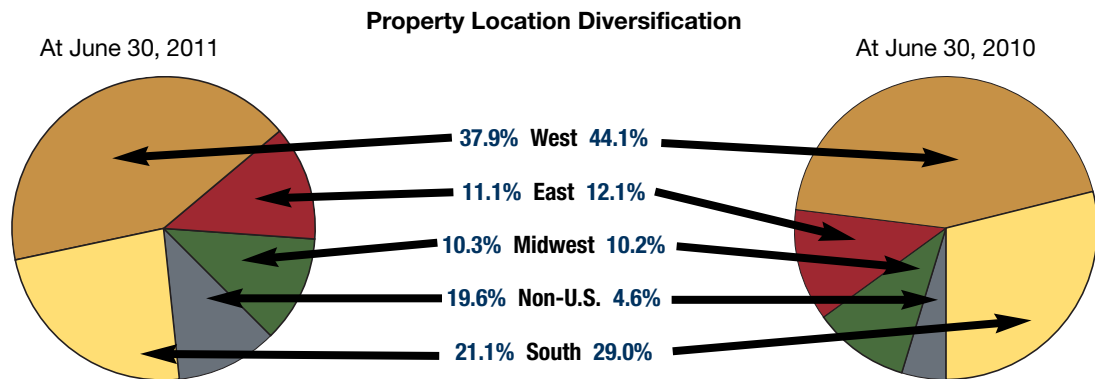
- a.) 25% of all employer contributions made in accordance with RSA 100-A:16; or
- b.) the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under statute. For fiscal year 2011, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. For fiscal year 2011, the State funded 25% of the employer normal costs for teachers, police officers and firefighters employed by the political subdivisions. For fiscal year 2010 the State funded 30% of those same political subdivision employer costs.

**SUPPORTING  
SCHEDULES**

REAL ESTATE INVESTMENTS BY TYPE	(in thousands)	
	JUNE 30	
	2011	2010
Office Buildings	\$ 69,466	\$ 60,541
Multi-Family Apartment Buildings	95,912	68,908
Retail Property	60,170	45,308
Industrial/Research & Development Property	63,746	58,059
Other	36,963	12,023
<b>TOTAL REAL ESTATE INVESTMENTS BY TYPE</b>	<b>\$326,257</b>	<b>\$244,839</b>



REAL ESTATE INVESTMENTS BY LOCATION	(in thousands)	
	JUNE 30	
	2011	2010
West	\$123,748	\$108,068
East	36,027	29,705
South	68,865	70,921
Midwest	33,529	24,888
Non-U.S.	64,088	11,257
<b>TOTAL REAL ESTATE INVESTMENTS BY LOCATION</b>	<b>\$326,257</b>	<b>\$244,839</b>



<b>ALTERNATIVE INVESTMENTS</b>	(in thousands)	
	2011	JUNE 30 2010
Venture Capital	\$ 10,264	\$ 9,024
Growth Equity	28,084	27,478
Secondaries	14,398	92
Mezzanine	6,284	6,083
Distressed	22,410	10,745
Absolute Return Strategies	42,201	40,418
<b>TOTAL ALTERNATIVE INVESTMENTS</b>	<b>\$123,641</b>	<b>\$93,840</b>

<b>CONTRIBUTIONS</b>	(in thousands)	
	YEAR ENDED JUNE 30	
	2011	2010
<b>CONTRIBUTIONS—PENSION PLAN</b>		
EMPLOYER CONTRIBUTIONS:		
Employees	\$103,462	\$101,186
Teachers	73,647	68,627
Police Officers	38,423	36,502
Firefighters	19,867	17,820
<b>TOTAL EMPLOYER CONTRIBUTIONS</b>	<b>235,399</b>	<b>224,135</b>
STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS:		
Teachers	24,386	28,483
Police Officers	8,498	9,889
Firefighters	6,299	7,170
<b>TOTAL STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS</b>	<b>39,183</b>	<b>45,542</b>
PLAN MEMBER CONTRIBUTIONS:		
Employees	59,313	59,609
Teachers	56,200	54,238
Police Officers	26,212	25,419
Firefighters	10,687	10,246
<b>TOTAL PLAN MEMBER CONTRIBUTIONS</b>	<b>152,412</b>	<b>149,512</b>
<b>TOTAL CONTRIBUTIONS—PENSION PLAN</b>	<b>426,994</b>	<b>419,189</b>
<b>CONTRIBUTIONS — OPEB PLANS</b>		
EMPLOYER NORMAL:		
Group II — Police Officers and Firefighters	6,693	6,217
Group I — Teachers	10,366	9,560
Group I — Political Subdivision Employees	423	404
Group I — State Employees	10,333	10,399
<b>TOTAL EMPLOYER NORMAL CONTRIBUTIONS</b>	<b>27,815</b>	<b>26,580</b>
STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS:		
Group II — Police Officers and Firefighters	1,662	1,926
Group I — Teachers	3,424	4,054
<b>TOTAL STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS</b>	<b>5,086</b>	<b>5,980</b>
<b>TOTAL CONTRIBUTIONS — OPEB PLANS</b>	<b>32,901</b>	<b>32,560</b>
<b>TOTAL CONTRIBUTIONS</b>	<b>\$459,895</b>	<b>\$451,749</b>

<b>NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS</b>	(in thousands)	
	YEAR ENDED JUNE 30	
	2011	2010
Equity Investments:		
Domestic	\$ 584,682	\$ 261,620
Non-U.S.	309,452	82,773
Fixed Income Investments	70,841	142,961
Real Estate	41,798	( 16,669)
Venture Capital	2,689	2,082
Growth Equity	8,558	1,144
Secondaries	( 701)	8
Mezzanine	1,680	595
Distressed	( 5,381)	( 1,250)
Absolute Return Strategies	1,783	3,593
<b>NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS</b>	<b>\$1,015,401</b>	<b>\$ 476,857</b>

<b>INTEREST INCOME</b>	(in thousands)	
	YEAR ENDED JUNE 30	
	2011	2010
Fixed Income Investments	\$49,587	\$53,798
Cash and Cash Equivalents	83	74
<b>TOTAL INTEREST INCOME</b>	<b>\$49,670</b>	<b>\$53,872</b>

<b>DIVIDEND INCOME</b>	(in thousands)	
	YEAR ENDED JUNE 30	
	2011	2010
Equity Investments:		
Domestic	\$42,616	\$14,599
Non-U.S.	24,680	18,055
<b>TOTAL DIVIDEND INCOME</b>	<b>\$67,296</b>	<b>\$32,654</b>

<b>ALTERNATIVE INVESTMENT INCOME (LOSS)</b>	(in thousands)	
	YEAR ENDED JUNE 30	
	2011	2010
Venture Capital	\$ —	\$ 54
Growth Equity	—	49
Secondaries	( 9)	( 65)
Mezzanine	—	( 64)
Distressed	—	( 239)
Absolute Return Strategies	—	4,844
<b>TOTAL ALTERNATIVE INVESTMENT INCOME (LOSS)</b>	<b>(\$ 9)</b>	<b>\$4,579</b>



<b>REAL ESTATE INVESTMENTS INCOME AND EXPENSES</b>							(in thousands)
	INCOME		EXPENSE		NET INCOME		
	YEAR ENDED JUNE 30		YEAR ENDED JUNE 30		YEAR ENDED JUNE 30		
	2011	2010	2011	2010	2011	2010	
Office Buildings	\$14,145	\$14,777	\$ 8,580	\$ 9,901	\$ 5,565	\$ 4,876	
Multi-Family Apartment Buildings	11,832	11,896	7,006	7,696	4,826	4,200	
Retail Property	8,932	12,657	5,526	8,235	3,406	4,422	
Industrial/Research & Development Property	5,943	6,909	2,405	2,789	3,538	4,120	
Other	—	288	7	179	( 7)	109	
<b>TOTAL</b>	<b>\$40,852</b>	<b>\$46,527</b>	<b>\$23,524</b>	<b>\$28,800</b>	<b>\$17,328</b>	<b>\$17,727</b>	

<b>INVESTMENT ACTIVITY FEES AND OTHER INVESTMENT RELATED EXPENSES</b>			(in thousands)
	YEAR ENDED JUNE 30		
	2011	2010	
<b>INVESTMENT ACTIVITY FEES:</b>			
Equity Investments:			
Domestic	\$ 6,214	\$ 5,277	
Non-U.S.	4,702	4,920	
Fixed Income Investments	3,607	3,106	
Alternative Investments:			
Venture Capital	—	168	
Growth Equity	—	742	
Secondaries	46	145	
Mezzanine	25	50	
Distressed	—	62	
Absolute Return Strategies	—	678	
Real Estate	2,592	2,482	
Custodial Fees	427	447	
Investment Advisor Fees	752	768	
<b>TOTAL INVESTMENT ACTIVITY FEES</b>	<b>\$18,365</b>	<b>\$18,845</b>	
<b>OTHER INVESTMENT RELATED EXPENSES:</b>			
Securities Lending Borrower (Premiums)	( 2)	(\$ 457)	
Securities Lending Management Fees	83	324	
<b>TOTAL INVESTMENT ACTIVITY FEES AND OTHER INVESTMENT RELATED EXPENSES</b>	<b>\$18,446</b>	<b>\$18,712</b>	

<b>BENEFITS</b>	(in thousands)	
	YEAR ENDED JUNE 30	
	2011	2010
<b>PENSION BENEFITS AND ADDITIONAL ALLOWANCES:</b>		
Employees	\$170,545	\$158,889
Teachers	210,519	202,123
Police Officers	93,264	85,589
Firefighters	45,642	43,474
<b>TOTAL PENSION BENEFITS AND ADDITIONAL ALLOWANCES</b>	<b>\$519,970</b>	<b>\$490,075</b>
<b>POSTEMPLOYMENT MEDICAL BENEFITS:</b>		
Group II Police and Fire	\$ 16,019	\$ 15,916
Group I Teachers	26,766	26,779
Group I Political Subdivision Employees	7,193	7,009
Group I State Employees	9,885	10,171
<b>TOTAL POSTEMPLOYMENT MEDICAL BENEFITS</b>	<b>\$ 59,863</b>	<b>\$ 59,875</b>
<b>TOTAL BENEFITS</b>	<b>\$579,833</b>	<b>\$549,950</b>

<b>REFUNDS OF CONTRIBUTIONS</b>	(in thousands)	
	YEAR ENDED JUNE 30	
	2011	2010
Employees	\$12,724	\$11,843
Teachers	6,032	6,148
Police Officers	3,517	3,297
Firefighters	557	563
<b>TOTAL REFUNDS OF CONTRIBUTIONS</b>	<b>\$22,830</b>	<b>\$21,851</b>

<b>ADMINISTRATIVE EXPENSES</b>							(in thousands)
	2011 EXPENSE	2011 BUDGET*	OVER (UNDER) BUDGET	2010 EXPENSE	2010 BUDGET*	OVER (UNDER) BUDGET	
Salaries and Wages	\$3,803	\$4,172	(\$ 369)	\$3,325	\$4,164	(\$ 839)	
Fringe Benefits	1,852	2,020	( 168)	1,708	1,997	( 289)	
Supplies, Utilities and Postage	467	595	( 128)	363	576	( 213)	
Organizational Dues	10	16	( 6)	8	11	( 3)	
Equipment	30	110	( 80)	28	130	( 102)	
Travel							
Board of Trustees	7	34	( 27)	19	33	( 14)	
Staff	30	77	( 47)	19	75	( 56)	
State Services	50	67	( 17)	64	64	—	
Office Rents and Expenses	532	641	( 109)	529	628	( 99)	
Computer Support and System Development	537	1,720	( 1,183)	498	561	( 63)	
Consulting	80	192	( 112)	72	78	( 6)	
Workers Compensation	(\$ 20)	5	( 25)	13	( 11)	24	
Unemployment Compensation	—	5	( 5)	—	5	( 5)	
<b>TOTAL</b>	<b>\$7,379</b>	<b>\$9,654</b>	<b>(\$2,276)</b>	<b>\$6,646</b>	<b>\$8,311</b>	<b>(\$1,665)</b>	

\* The New Hampshire biennial 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 composed of encumbrances and non-lapsing appropriations.

<b>PROFESSIONAL FEES</b>			(in thousands)
	YEAR ENDED JUNE 30		
	2011	2010	
Actuarial Fees	\$ 385	\$ 186	
Audit Fees	225	218	
Legal Fees	828	849	
<b>TOTAL PROFESSIONAL FEES</b>	<b>\$1,438</b>	<b>\$1,253</b>	

<b>MEMBERSHIP COMPOSITION</b>			
	JUNE 30		
	2011		2010
<b>ACTIVE CONTRIBUTING MEMBERS:</b>			
Employees	25,539		25,987
Teachers	18,466		18,603
Police Officers	4,130		4,231
Firefighters	1,603		1,646
<b>TOTAL ACTIVE CONTRIBUTING MEMBERS</b>	<b>49,738</b>		<b>50,467</b>
*Excludes inactive			
<b>RETIRED MEMBERS:</b>			
Employees	13,487		12,802
Teachers	9,427		9,087
Police Officers	2,880		2,702
Firefighters	1,336		1,254
<b>TOTAL RETIRED MEMBERS</b>	<b>27,130</b>		<b>25,845</b>
<b>PAYMENTS FROM THE STATE GENERAL FUND</b> (in thousands)			
	YEAR ENDED JUNE 30		
	2011		2010
State Share of Normal Contributions for Local Employers	\$44,269		\$51,522
<b>TOTAL STATE GENERAL FUND PAYMENTS EXCLUSIVE OF NORMAL CONTRIBUTIONS FOR STATE MEMBERS</b>	<b>\$44,269</b>		<b>\$51,522</b>

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NEW HAMPSHIRE RETIREMENT SYSTEM

# INVESTMENT SECTION

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INVESTMENT  
CONSULTANT'S  
LETTER



KEVIN M. LEONARD  
PARTNER

October 11, 2011

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

Dear NHRS Fiduciaries:

NEPC, LLC (NEPC) is pleased to introduce this overview of the New Hampshire Retirement System (NHRS) investment program for the fiscal year ended June 30, 2011.

The overall objective of NHRS is to provide service, disability, death and vested retirement benefits, and other postemployment benefits to members and their beneficiaries. To ensure a solid foundation for the future of the System, NHRS plans and implements an investment program designed to achieve the maximum expected rate of return over the long term, while prudently managing the risk of the portfolio. Additionally, the NHRS investment program is administered in accordance with sound governance practices and applicable statutes. The Board of Trustees ("Trustees") established a Statement of Investment Policy which includes asset allocation targets and acceptable ranges as well as benchmarks for performance measurement. The Trustees retain the services of actuaries and consultants to provide guidance regarding actuarial matters, asset allocation, and investment policy. The Investment Committee manages the investment program pursuant to the Statement of Investment Policy, monitors and evaluates performance, and makes determinations regarding the retention of managers. Professional investment managers are selected by the Investment Committee to manage portfolios in accordance with investment management agreements. The following pages report on the performance and attributes of the investment program for fiscal year 2011.

During fiscal year 2011, the economy continued the halting recovery from the lows experienced in fiscal year 2009. Market sentiment and macroeconomic events played key roles as drivers of global markets throughout the fiscal year. Support from governments and central banks continued for much of the fiscal year until the last quarter, which saw the expiration of quantitative easing by the Federal Reserve and fiscal austerity measures across Europe being implemented in an attempt to reign in public debt. Investors flocked to riskier assets during most of the fiscal year until global concerns mounted, causing a pullback and flight to safer assets during the second quarter of calendar year 2011. Sentiment turned negative as the European debt crisis, heightened inflation concerns, and multiple geopolitical risks weighed heavily on investors' minds. Further increasing investor negative sentiment was the inability of Congress to reach a deal on the U.S. debt ceiling until the deadline of August 2, 2011.

For the fiscal year ended June 30, 2011, the NHRS Total Fund returned +23.0% on a net-of-fees basis outperforming the Total Fund Custom Benchmark return of +22.1%. The

One Main Street | Cambridge, MA 02142 | TEL: 617.374.1300 | [www.nepc.com](http://www.nepc.com)  
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NHRS Total Fund gross-of-fees return of +23.3% ranked in the 22<sup>nd</sup> percentile relative to other investors in the Independent Consultants Cooperative Public Fund Universe. For the trailing ten year period ending June 30, 2011, the NHRS Total Fund returned 5.2% on an annualized net-of-fees basis. For the trailing twenty year period ending June 30, 2011, the NHRS Total Fund returned 8.5% on an annualized net-of-fees basis.

During fiscal year 2011, we continued work originally started in 2010 with the NHRS Investment Committee. This work entailed a structural review of the individual asset classes utilized within the NHRS portfolio. The goal of the structural review was to reduce the investment program's expected volatility by diversifying the assets more broadly within the traditional and non-traditional asset classes, both domestically and internationally, and to enhance the Fund's ability to generate higher expected returns.

NEPC provides NHRS with quarterly economic and investment market updates and performance reviews, investment manager monitoring and selection advice, and related investment services for traditional and non-traditional asset classes. Investment performance analysis and comparisons produced by NEPC have been calculated using standard performance evaluation methodologies and are consistent with industry standards. Performance results are calculated using a time-weighted return methodology and are reported on a net-of-fees basis.

Sincerely,

A handwritten signature in black ink, appearing to be 'L. M. P.', is written over a light blue horizontal line.



**INVESTMENT REPORTS**

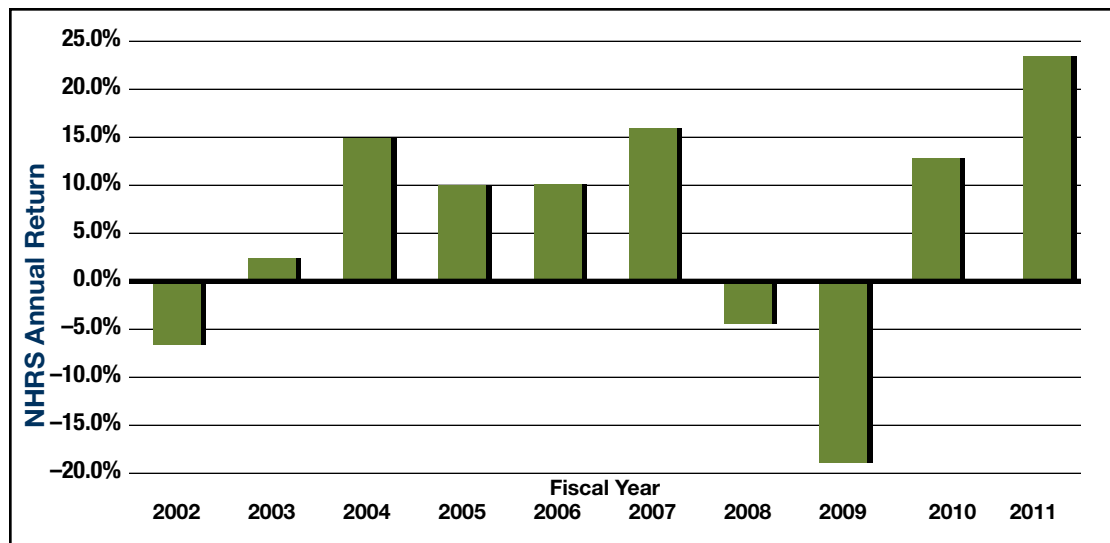
**ANNUALIZED INVESTMENT RETURNS—ACTUAL VERSUS INDICES**

	Current Year 2011	3 Year	Annualized 5 Year	10 Year
Total NHRS Fund	23.0%	4.4%	4.7%	5.2%
Total Fund Custom Index*	22.1	4.1	4.7	5.5
Domestic Equity	31.2	2.9	2.1	2.6
Total Domestic Equity Blended Benchmark*	32.4	4.0	3.4	3.3
Non-U.S. Equity	34.2	1.2	4.5	6.9
Total Non-U.S. Equity Blended Benchmark*	29.7	-0.3	3.7	7.1
Fixed Income	7.9	8.8	8.1	7.8
Total Fixed Income Blended Benchmark*	4.8	6.7	6.5	6.2
Real Estate	14.9	-7.0	0.7	8.2
Total Real Estate Blended Benchmark*	17.3	-2.2	3.7	7.8
Alternative Investments	9.7	-6.5	-3.0	-4.5
Consumer Price Index + 5%	8.6	6.1	7.2	7.4
Cash Equivalents	0.2	0.5	2.2	2.3
90 Day T-Bills	0.2	0.4	2.0	2.1

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

\*In a dynamic market, strategies and objectives evolve over time. Consequently, these benchmarks are blended due to historical investment strategy decisions. Detailed descriptions of the benchmarks above are available by contacting NHRS.

**Ten Year History of Time-Weighted Total NHRS Fund Annual Returns**

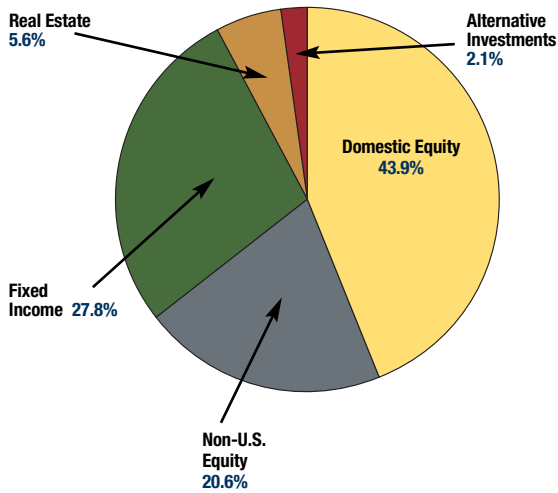


**ACTUAL ASSET ALLOCATION VERSUS TARGET ASSET ALLOCATION**

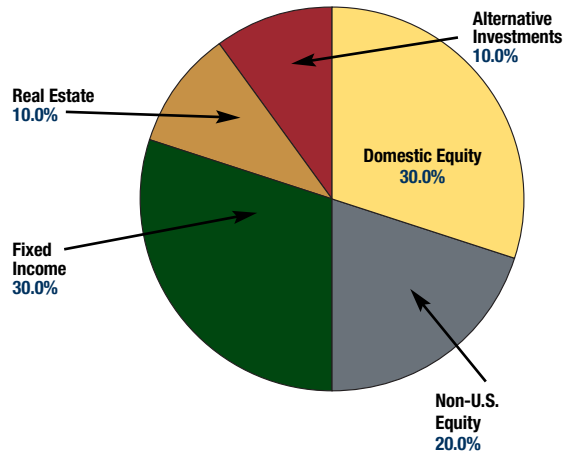
	Actual %	As of June 30, 2011 Target %*	Target Range %*
Domestic Equity	43.9%	30.0%	20 – 50
Non-U.S. Equity	20.6	20.0	15 – 25
Fixed Income	27.8	30.0	25 – 35
Real Estate	5.6	10.0	0 – 15
Alternative Investments	2.1	10.0	0 – 15
<b>TOTAL FUND</b>	<b>100.0%</b>	<b>100.0%</b>	

\*The asset allocation targets and ranges were approved by the Board of Trustees on July 13, 2010 based on a recommendation of the Investment Committee.

**Actual Asset Allocation as of June 30, 2011**



**Target Asset Allocation as of June 30, 2011**



<b>TEN LARGEST STOCK HOLDINGS BY FAIR VALUE*</b>			(in thousands)
	Shares	Stock	June 30, 2011 Fair Value
1	633,312	Exxon Mobil Corp.	\$51,539
2	392,970	Chevron Corp.	40,413
3	1,918,911	Pfizer Inc.	39,530
4	108,734	Apple Inc.	36,499
5	862,383	JPMorgan Chase & Co.	35,306
6	1,336,404	Microsoft Corp.	34,747
7	484,308	Johnson & Johnson	32,216
8	994,153	Wells Fargo & Co.	27,896
9	744,516	Merck & Company, Inc.	26,274
10	389,025	The Coca-Cola Co.	26,177

<b>TEN LARGEST FIXED INCOME HOLDINGS BY FAIR VALUE*</b>			(in thousands)
	Par	Security	June 30, 2011 Fair Value
1	23,940,000	U.S. Treasury Bond — 4.25%, 2040	\$23,401
2	13,990,000**	Government of U.K. Gilt — 3.75%, 2021	22,826
3	17,349,000	U.S. Treasury Note — 0.75%, 2011	17,396
4	15,933,000	U.S. Treasury Note — 0.875%, 2012	16,003
5	15,255,000**	Government of Canada Note — 2.0%, 2012	15,927
6	14,450,000	U.S. Treasury Bond — 4.5%, 2038	14,834
7	12,430,000**	New South Wales Treasury Bond — 6.0%, 2016	13,707
8	11,717,000	U.S. Treasury Note — 1.125%, 2011	11,771
9	15,235**	Federal Republic of Brazil Bond — 10.0%, 2017	9,307
10	8,038,809	Small Business Administration Bond — 5.6%, 2028	8,806

\*A complete listing of separate account portfolio holdings is available by contacting the NHRS offices. NHRS also invests in various commingled investment vehicles, which are custodied outside of The Northern Trust Company (Master Custodian for NHRS), as reported on the Summary of Investments schedule.

\*\*Par value is denoted in local currency.

**SCHEDULE OF INVESTMENT MANAGEMENT AND SERVICE FEES**

	YEAR ENDED JUNE 30, 2011		
	Assets Under Management (in thousands)	Fees (in thousands)	Average Basis Points
<b>INVESTMENT MANAGEMENT FEES</b>			
Equity Portfolios:			
Domestic	\$2,568,863	\$ 6,214	24
Non-U.S.	1,208,131	4,702	39
Fixed Income Portfolios	1,554,761	3,607	23
Alternative Investments*	123,641	71	6
Real Estate	326,257	2,592	79
Cash and Cash Equivalents**	71,716	—	—
<b>TOTAL INVESTMENT MANAGEMENT FEES</b>	<b>\$5,853,369</b>	<b>\$17,186</b>	<b>29</b>
<b>INVESTMENT SERVICE FEES</b>			
Custodial Fees	\$5,403,471	\$ 427	1
Investment Advisor Fees	5,853,369	752	1
Security Lending Management Fees***	—	83	—
<b>TOTAL INVESTMENT MANAGEMENT AND SERVICE FEES</b>	<b>\$5,853,369</b>	<b>\$18,448</b>	<b>32</b>

\* Fees for Alternative Investments reflect only direct cash payments.

\*\* Does not include cash and cash equivalents held in manager portfolios, only in designated cash portfolios.

\*\*\* Securities Lending program was exited in full in January 2011.

**SCHEDULE OF BROKERAGE COMMISSIONS PAID**

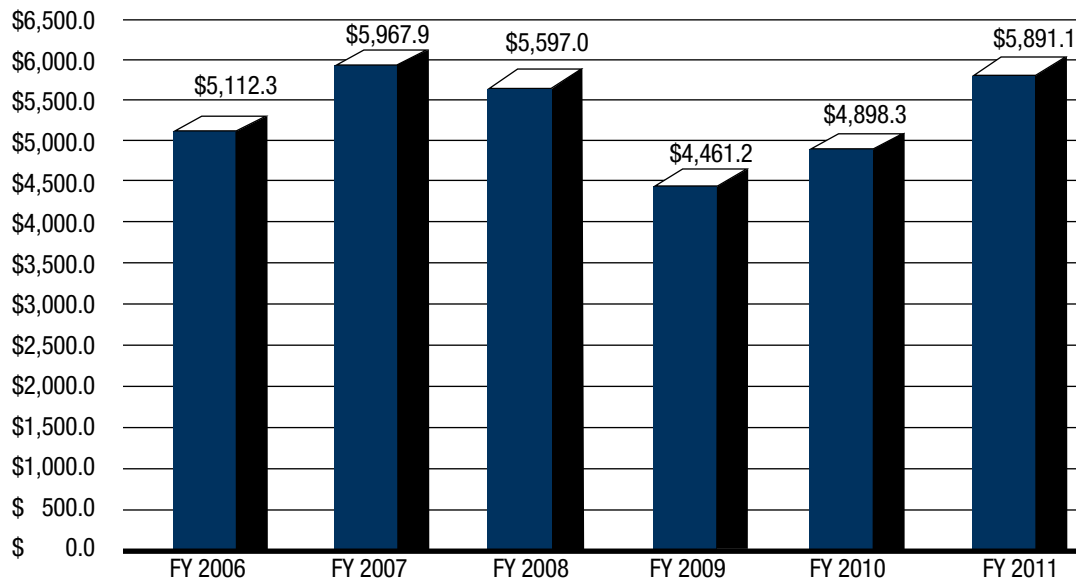
Brokerage Firm	YEAR ENDED JUNE 30, 2011		
	Number of Shares Traded (in thousands)	Total Commissions (in thousands)	Commissions Per Share
State Street Bank and Trust Company	74,296	\$ 446	\$0.01
Ridge Clearing & Outsource Solutions, Inc.	23,386	206	0.01
UBS AG	20,519	172	0.01
Credit Suisse First Boston Corporation	17,329	137	0.01
Morgan Stanley & Company, Inc.	7,064	128	0.02
Merrill Lynch & Company, Inc.	5,489	87	0.02
J.P. Morgan Securities, Inc.	2,368	67	0.03
Instinet, Inc.	2,189	57	0.03
Goldman Sachs & Company, Inc.	5,020	56	0.01
Barclays Capital, Inc.	1,923	49	0.01
Investment Technology Group, Inc.	2,565	45	0.02
Deutsche Bank AG	3,339	39	0.01
Citigroup Global Markets, Inc.	1,410	39	0.03
Cantor Fitzgerald & Company	1,617	38	0.02
Macquarie Securities, Inc.	16,976	36	0.01
Liquidnet, Inc.	1,497	30	0.01
Knight Securities, L.P.	1,407	27	0.02
Sanford C. Bernstein & Company, LLC	803	25	0.03
All Others (146 not listed separately)	26,889	529	0.02
<b>TOTAL BROKERAGE COMMISSIONS PAID</b>	<b>216,086</b>	<b>\$2,213</b>	<b>\$0.01</b>

Commission detail is not included in the schedule above for the commingled funds in which NHRS invests.

**SUMMARY OF INVESTMENTS**

TYPE OF INVESTMENT	June 30, 2011	
	Fair Value (in millions)	Percent of Total Fair Value
<b>FIXED INCOME</b>		
Collateralized/Asset Backed Obligations	\$ 116.9	2.0%
Corporate Bonds	392.2	6.7
Government and Agency Bonds	369.3	6.3
NTI Collective Daily Aggregate Bond Index Fund	109.5	1.9
PIMCO Total Return Fund	452.3	7.7
<b>TOTAL FIXED INCOME</b>	<b>\$1,440.2</b>	<b>24.6%</b>
<b>EQUITY</b>		
Consumer Discretionary	428.0	7.3
Consumer Staples	306.8	5.2
Energy	415.5	7.1
Financial Services	598.3	10.2
Health Care	422.8	7.2
Industrials	379.9	6.5
Information Technology	552.1	9.4
Materials	214.9	3.7
Telecommunication Services	101.3	1.7
Utilities	97.7	1.7
Aberdeen Emerging Markets Smaller Companies Fund	49.3	0.9
GMO Foreign Small Companies Fund	100.0	1.7
Russell 2000 Index Fund iShares	2.0	0.1
Wellington Emerging Markets Local Equity Fund	75.8	1.3
<b>TOTAL EQUITY</b>	<b>\$3,744.4</b>	<b>64.0%</b>
<b>OTHER INVESTMENTS</b>		
Alternative Investments	123.6	2.1
Real Estate	326.3	5.6
Cash and Cash Equivalents	218.8	3.7
<b>TOTAL INVESTMENTS</b>	<b>\$5,853.3</b>	<b>100.0%</b>

**Net Assets Held In Trust For Benefits**  
(in millions)



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NEW HAMPSHIRE RETIREMENT SYSTEM

**ACTUARIAL  
SECTION**

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**ACTUARIAL  
CERTIFICATION**



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

November 16, 2011

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

Attention: Ms. Kim France

Dear Board Members:

This report was prepared at the request of the Board of Trustees and is intended for use by the Retirement System for the purposes described below.

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 26 years.

The most recent valuation was completed based upon population data, asset data, and plan provisions as of June 30, 2011. Contributions are established bi-annually for a two year period. The June 30, 2011 actuarial report establishes the contribution requirements for Fiscal Years 2014 and 2015.

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 Within Next Year
- Probabilities of Becoming Disabled Within Next Year
- 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 Member 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  
November 16, 2011  
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, in compliance with NHRS State Statutes. 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, 2010 Experience Study.

Changes due to the adoption of HB No. 2 as Amended by 2011-2513-CofC were incorporated into the actuarial valuation. Employer contribution rates for the July 1, 2011 through June 30, 2013 biennium were recertified by the Board of Trustees based on the provisions of HB No. 2 and the valuation data, assumptions and methods from the June 30, 2010 valuation.

We certify that the information contained in the June 30, 2011 actuarial valuation report of the NHRS is accurate and fairly presents the actuarial position of the New Hampshire Retirement System as of June 30, 2011. 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.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

The actuaries submitting this report are independent of the plan sponsor, are Members of the American Academy of Actuaries (M.A.A.A.), and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,



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



Randall J. Dziubek, A.S.A., M.A.A.A.



Heidi G. Barry, A.S.A., M.A.A.A.

DTK\RJD\HGB:lr

## SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

The actuarial methods and assumptions that were used in the development of the June 30, 2011 actuarial valuation are as follows. The June 30, 2011 actuarial valuation will be used to determine employer contributions for the fiscal years ended June 30, 2014 and June 30, 2015.

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### VALUATION METHODS

#### PENSION

**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 are amortized by level (principal and interest combined) percent-of-payroll contributions over 26 years from the contribution effective date of July 1, 2013.

#### OPEB

- (i) Liabilities are determined under the entry-age actuarial cost method.
- (ii) Contribution rates to the 401(h) sub-trust are determined as the lesser of 25% of the employers' contributions or the actuarial required contribution rate that keeps the medical subsidy sub-trust solvent (the "solvency rate").

**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. At any time it may be either greater or less than market value. If assumed rates are exactly realized for 4 consecutive years, it will become equal to market value. Funding value was limited to a 20% corridor around the market value.

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### DEVELOPMENT OF AMORTIZATION PAYMENT

The employer contribution rate determined by the June 30, 2011 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 26 year period beginning on July 1, 2013. This UAAL payment reflects any payments expected to be made and interest to be accrued 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, 2009 valuation and the recertified rates adopted in House Bill No. 2 effective beginning August 1, 2011 would be contributed to the net pension assets.

---

### ECONOMIC ASSUMPTIONS

The investment return rate assumed in the valuation is 7.75% per year, compounded annually (net after investment expenses). The investment return rate assumed in the health valuations is 3.75% per year, compounded annually (net after investment expenses).

The wage inflation rate assumed in this valuation was 3.75% 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 3.0% would be consistent with the other economic assumptions.

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 7.75% 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 4.75%, 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 — 3.75% per year.

Pay increase assumptions for individual active members are shown for sample ages on pages 73–77. Part of the assumption for each age is for merit and/or seniority increase, and the other 3.75% recognizes wage inflation, including price inflation, productivity increases, and other macro economic forces.

## TECHNICAL ASSUMPTIONS

<b>Administrative &amp; Investment Expenses</b>	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, 2011 valuation.
<b>Benefit Service</b>	Exact fractional service is used to determine the amount of benefit payable.
<b>COLA</b>	None assumed.
<b>Decrement Operation</b>	Disability decrements do not operate during retirement eligibility. Only withdrawal operates in the select withdrawal period.
<b>Decrement Timing</b>	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.
<b>Eligibility Testing</b>	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.
<b>Forfeitures</b>	It is assumed that 25% of members who quit before retirement with 10–15 years of service will elect to refund and forfeit their pension.
<b>Incidence of Contributions</b>	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.
<b>Liability Adjustments</b>	Normal, early, and vesting retirement liabilities are increased by 9.0%, 7.0%, 12.0%, and 12.0% for Employees, Teachers, Police, and Fire respectively to account for lump sum payments. Members hired after July 1, 2011 or who have non-vested status as of January 1, 2012 are assumed to have no adjustment for end of career payments.
<b>Marriage Assumption</b>	Group I: 70% of males and 70% 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.
<b>Normal Form of Benefit</b>	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.
<b>Pay Increase Timing</b>	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.

**Data Adjustments**

For the June 30, 2011 valuation, adjustments to the active data for State Employees, State Firefighters and State Police Officers (excluding State Employees hired on or after July 1, 2009), are as follows:

Added one month of service for the month of June 2011.

Pro-rated reported pay by 12/11 to adjust for the month of June 2011

Adjusted the reported May 31, 2011 member balances by one month of interest at the assumed 8.50% and member contribution based on estimated pay for the month of June and the applicable member contribution rate from HB2: 7.00% for Employees, 11.55% for Police, and 11.80% for Fire.

**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:

Age	Years of Service	Annual Rate of					
		Withdrawal and Vesting		Death*		Disability**	
		Men	Women	Men	Women	Men	Women
	0	30.00%	30.00%				
	1	22.00	22.00				
	2	16.00	16.00				
	3	12.00	12.00				
	4	8.00	8.00				
25	5+	5.00	8.00	.04%	.02%	.02%	.01%
30		5.00	8.00	.04	.02	.02	.02
35		5.00	5.60	.05	.03	.03	.02
40		5.00	5.60	.08	.04	.08	.05
45		5.00	5.60	.12	.06	.15	.09
50		5.00	4.40	.18	.08	.25	.19
55		5.00	4.00	.25	.13	.43	.35
60		5.00	4.00	—	—	—	—

Age	Annual Rate of Normal Retirement			
	For Members Hired Prior to July 1, 2011		For Members Hired On or After July 1, 2011	
	Men	Women	Men	Women
60	12.00%	12.00%	—	—
61	12.00	12.00	—	—
62	17.00	15.00	—	—
63	16.00	15.00	—	—
64	15.00	15.00	—	—
65	15.00	20.00	46.00%	45.00%
66	25.00	20.00	46.00	45.00
67	20.00	20.00	20.00	20.00
68	20.00	16.00	20.00	16.00
69	20.00	17.00	20.00	17.00
70	100.00	100.00	100.00	100.00

\*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:

Service Index	Merit & Seniority	Base	Annual Rate of Salary Increases
1	7.55%	3.75%	11.30%
2	5.25	3.75	9.00
3	3.55	3.75	7.30
4	2.25	3.75	6.00
5	1.75	3.75	5.50
6	1.55	3.75	5.30
7-25	0.75	3.75	4.50

**DEATHS AFTER RETIREMENT:**

MORTALITY RATE			MORTALITY RATE		
AGE	MEN	WOMEN	AGE	MEN	WOMEN
35	.07%	.04%	60	.49%	.46%
40	.09	.05	65	.96	.88
45	.12	.08	70	1.64	1.52
50	.15	.12	75	2.85	2.39
55	.25	.23	80	5.27	3.99

**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:

Age	Years of Service	Annual Rate of					
		Withdrawal and Vesting		Death*		Disability**	
		Men	Women	Men	Women	Men	Women
	0	35.00%	33.00%				
	1	17.00	18.00				
	2	14.00	13.00				
	3	10.00	11.00				
	4	8.00	9.00				
25	5+	3.50	4.50	.01%	.01%	.01%	.00%
30		3.50	4.50	.02	.01	.01	.00
35		3.50	4.50	.03	.02	.01	.00
40		3.50	4.50	.04	.02	.02	.02
45		3.50	4.50	.05	.03	.04	.02
50		3.50	4.50	.07	.05	.08	.05
55		3.50	4.50	.11	.09	.18	.14
60		3.50	4.50	—	—	—	—

\*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.

Age	Annual Rate of Normal Retirement			
	For Members Hired Prior to July 1, 2011		For Members Hired On or After July 1, 2011	
	Men	Women	Men	Women
60	20.50%	17.00%	—	—
61	22.00	18.00	—	—
62	23.00	22.00	—	—
63	24.00	23.00	—	—
64	25.00	24.00	—	—
65	26.00	25.00	60.00%	60.00%
66	27.00	30.00	50.00	60.00
67	28.00	24.00	40.00	24.00
68	29.00	28.00	30.00	28.00
69	30.00	29.00	30.00	29.00
70	100.00	100.00	100.00	100.00

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

Service Index	Merit & Seniority	Base	Annual Rate of Salary Increases
1	6.00%	3.75%	9.75%
2	4.00	3.75	7.75
3	3.00	3.75	6.75
4	2.50	3.75	6.25
5	2.50	3.75	6.25
6	2.20	3.75	5.95
7	1.70	3.75	5.45
8	1.40	3.75	5.15
9	1.20	3.75	4.95
10	1.20	3.75	4.95
11	1.00	3.75	4.75
12	1.00	3.75	4.75
13-22	0.80	3.75	4.55
23-25	0.70	3.75	4.45

**DEATHS AFTER RETIREMENT:**

MORTALITY RATE			MORTALITY RATE		
AGE	MEN	WOMEN	AGE	MEN	WOMEN
35	.07%	.04%	60	.49%	.46%
40	.09	.05	65	.96	.88
45	.12	.08	70	1.64	1.52
50	.15	.12	75	2.85	2.39
55	.25	.23	80	5.27	3.99



**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:

Age	Years of Service	Annual Rate of					
		Withdrawal and Vesting		Death*		Disability**	
		Men	Women	Men	Women	Men	Women
	0	30.00%	40.00%				
	1	15.00	17.00				
	2	9.00	14.00				
	3	6.00	11.00				
	4	4.00	9.00				
25	5+	4.00	4.00	.01%	.01%	.04%	.02%
30		4.00	4.00	.02	.01	.04	.02
35		4.00	4.00	.03	.01	.08	.05
40		4.00	4.00	.03	.02	.18	.12
45		4.00	4.00	.04	.03	.32	.21
50		4.00	4.00	.06	.05	.50	.34
55		4.00	4.00	.09	.09	.75	.50
60		4.00	4.00	—	—	—	—

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

Service Index	Merit & Seniority	Base	Annual Rate of Salary Increases
1	20.40%	3.75%	24.15%
2	10.40	3.75	14.15
3	7.90	3.75	11.65
4	5.40	3.75	9.15
5	2.90	3.75	6.65
6	2.90	3.75	6.65
7	1.20	3.75	4.95
8	0.90	3.75	4.65
9-10	0.70	3.75	4.45
11-12	0.60	3.75	4.35
13-20	0.50	3.75	4.25
21-25	0.40	3.75	4.15

**DEATHS AFTER RETIREMENT:**

AGE	MORTALITY RATE		AGE	MORTALITY RATE	
	MEN	WOMEN		MEN	WOMEN
35	.07%	.04%	60	.49%	.46%
40	.09	.05	65	.96	.88
45	.12	.08	70	1.64	1.52
50	.15	.12	75	2.85	2.39
55	.25	.23	80	5.27	3.99

**NORMAL RETIREMENT**

For Members Hired Prior to July 1, 2011 Who Have Vested Status as of January 1, 2012		For Members Hired on or After July 1, 2011 and for Members Hired Prior to July 1, 2011 Who Have Non-Vested Status as of January 1, 2012				
Retirement Ages	% of Active Members Retiring Within Next Year	Age 46 with 21 years	Age 47 with 22 years	Age 48 with 23 years	Age 49 with 24 years	Age 50 with 25 years
45	25%					
46	25%	28%				
47	25%	28%	35%			
48	25%	28%	35%	35%		
49	25%	28%	30%	35%	40%	
50	25%	28%	30%	35%	40%	50%
51	25%	28%	30%	35%	40%	50%
52	25%	28%	30%	35%	40%	50%
53	30%	30%	30%	35%	35%	35%
54	30%	30%	30%	35%	35%	35%
55	30%	30%	30%	30%	35%	35%
56	25%	25%	25%	25%	25%	25%
57	25%	25%	25%	25%	25%	25%
58	30%	30%	30%	30%	30%	30%
59	25%	25%	25%	25%	25%	25%
60	25%	25%	25%	25%	25%	25%
61	20%	20%	20%	20%	20%	20%
62	20%	20%	20%	20%	20%	20%
63	25%	25%	25%	25%	25%	25%
64	25%	25%	25%	25%	25%	25%
65	25%	25%	25%	25%	25%	25%
66	100%	100%	100%	100%	100%	100%

**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:

Age	Years of Service	Annual Rate of					
		Withdrawal and Vesting		Death*		Disability**	
		Men	Women	Men	Women	Men	Women
	0	8.00%	8.00%				
	1	6.00	6.00				
	2	4.50	4.50				
	3	3.00	3.00				
	4	2.00	2.00				
25	5+	1.50	1.50	.01%	.00%	.04%	.02%
30		1.50	1.50	.01	.01	.05	.02
35		1.50	1.50	.02	.01	.06	.02
40		1.50	1.50	.02	.01	.11	.07
45		1.50	1.50	.03	.02	.23	.07
50		1.50	1.50	.04	.03	.54	.33
55		1.50	1.50	.06	.06	1.21	.33
60		1.50	1.50	—	—	—	—

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

Service Index	Merit & Seniority	Base	Annual Rate of Salary Increases
1	20.80%	3.75%	24.55%
2	10.80	3.75	14.55
3	8.30	3.75	12.05
4	5.80	3.75	9.55
5	3.30	3.75	7.05
6	3.30	3.75	7.05
7	1.60	3.75	5.35
8	1.30	3.75	5.05
9-10	1.10	3.75	4.85
11-12	1.00	3.75	4.75
13-20	0.90	3.75	4.65
21-25	0.80	3.75	4.55

**DEATHS AFTER RETIREMENT:**

AGE	MORTALITY RATE		AGE	MORTALITY RATE	
	MEN	WOMEN		MEN	WOMEN
35	.07%	.04%	60	.49%	.46%
40	.09	.05	65	.96	.88
45	.12	.08	70	1.64	1.52
50	.15	.12	75	2.25	2.39
55	.25	.23	80	5.27	3.99

NEW HAMPSHIRE RETIREMENT SYSTEM — ACTUARIAL SECTION

**NORMAL RETIREMENT**

For Members Hired Prior to July 1, 2011 Who Have Vested Status as of January 1, 2012		For Members Hired on or After July 1, 2011 and for Members Hired Prior to July 1, 2011 Who Have Non-Vested Status as of January 1, 2012				
Retirement Ages	% of Active Members Retiring Within Next Year	Age 46 with 21 years	Age 47 with 22 years	Age 48 with 23 years	Age 49 with 24 years	Age 50 with 25 years
45	15%					
46	12%	15%				
47	12%	15%	17%			
48	12%	15%	17%	21%		
49	12%	15%	17%	21%	25%	
50	15%	15%	18%	21%	25%	32%
51	15%	15%	18%	21%	25%	32%
52	15%	15%	18%	21%	25%	32%
53	25%	25%	25%	25%	25%	25%
54	20%	20%	20%	20%	20%	20%
55	30%	30%	30%	30%	30%	30%
56	30%	30%	30%	30%	30%	30%
57	25%	25%	25%	25%	25%	25%
58	25%	25%	25%	25%	25%	25%
59	25%	25%	25%	25%	25%	25%
60	25%	25%	25%	25%	25%	25%
61	40%	40%	40%	40%	40%	40%
62	30%	30%	30%	30%	30%	30%
63	30%	30%	30%	30%	30%	30%
64	30%	30%	30%	30%	30%	30%
65	100%	100%	100%	100%	100%	100%

## HISTORICAL MEMBERSHIP DATA — ACTIVE AND RETIRED

The following 4 tables summarize the actuarial valuation data for the period from 2005 through 2011. Valuations are prepared biennially. An interim valuation was prepared in fiscal year 2008 and in fiscal year 2010.

### 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
2011	25,539	\$1,113,867	\$ 43,614	3.68%
2010	25,987	1,093,147	42,065	2.72%
2009	26,352	1,079,157	40,952	7.47%
2008	26,507	1,010,032	38,104	7.05%
2007	26,474	942,319	35,594	6.91%
2005	26,414	879,419	33,294	9.99%

#### RETIRED MEMBERSHIP DATA

FISCAL YEAR	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR		% INCREASE IN ANNUAL ALLOWANCES
	NO.*	ANNUAL** ALLOWANCES (IN DOLLARS)	NO.*	ANNUAL** ALLOWANCES (IN DOLLARS)	NO.*	ANNUAL** ALLOWANCES	
2011	1,113	\$16,521	428	\$4,578	13,487	\$168,235	7.64%
2010	1,070	18,300	460	4,624	12,802	156,292	9.59%
2009	934	14,703	322	3,864	12,192	142,616	8.23%
2008	1,083	17,897	362	4,199	11,580	131,777	11.60%
2007	1,465	22,691	579	5,471	10,859	118,079	17.07%
2005	1,620	19,183	739	5,972	9,973	100,859	18.56%

### 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
2011	18,466	\$1,036,376	\$ 56,123	2.28%
2010	18,603	1,020,745	54,870	2.30%
2009	18,709	1,003,514	53,638	3.73%
2008	18,509	957,068	51,708	3.59%
2007	18,477	922,308	49,917	8.28%
2005	18,474	851,664	46,101	7.88%

#### RETIRED MEMBERSHIP DATA

FISCAL YEAR	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR		% INCREASE IN ANNUAL ALLOWANCES
	NO.*	ANNUAL** ALLOWANCES (IN DOLLARS)	NO.*	ANNUAL** ALLOWANCES (IN DOLLARS)	NO.*	ANNUAL** ALLOWANCES	
2011	504	\$10,402	164	\$3,644	9,427	\$200,989	3.48%
2010	849	22,231	269	5,199	9,087	194,231	9.61%
2009	1,001	26,668	148	3,214	8,507	177,199	15.26%
2008	891	23,743	165	4,238	7,654	153,745	14.53%
2007	1,254	29,350	230	4,004	6,928	134,240	23.28%
2005	1,121	21,842	344	4,591	5,904	108,894	24.34%

\* 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.

**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
2011	4,130	\$ 259,509	\$ 62,835	2.86%
2010	4,231	258,472	61,090	2.27%
2009	4,318	257,934	59,735	5.92%
2008	4,332	244,314	56,398	3.03%
2007	4,263	233,348	54,738	13.03%
2005	4,573	221,456	48,427	6.35%

**RETIRED MEMBERSHIP DATA**

FISCAL YEAR	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR		% INCREASE IN ANNUAL ALLOWANCES
	NO.*	ANNUAL** ALLOWANCES (IN DOLLARS)	NO.*	ANNUAL** ALLOWANCES (IN DOLLARS)	NO.*	ANNUAL** ALLOWANCES	
2011	237	\$10,730	59	\$1,133	2,880	\$97,564	10.46%
2010	189	7,711	52	1,413	2,702	88,327	7.68%
2009	157	7,235	28	627	2,565	82,029	8.76%
2008	179	8,504	36	1,376	2,436	75,421	10.44%
2007	361	14,045	80	1,540	2,293	68,293	22.42%
2005	308	8,934	83	1,492	2,012	55,788	17.68%

**FIREFIIGHTERS** (aggregate compensation and annual allowance dollars in thousands)

**ACTIVE MEMBERSHIP DATA**

FISCAL YEAR	NUMBER OF ACTIVES**	AGGREGATE COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
2011	1,603	\$ 108,028	\$ 67,391	1.75%
2010	1,646	109,020	66,233	1.67 %
2009	1,653	107,682	65,144	10.25 %
2008	1,640	96,907	59,090	( 3.63)%
2007	1,588	97,365	61,313	7.70 %
2005	1,599	91,029	56,929	9.72 %

**RETIRED MEMBERSHIP DATA**

FISCAL YEAR	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR		% INCREASE IN ANNUAL ALLOWANCES
	NO.*	ANNUAL** ALLOWANCES (IN DOLLARS)	NO.*	ANNUAL** ALLOWANCES (IN DOLLARS)	NO.*	ANNUAL** ALLOWANCES	
2011	111	\$5,051	29	\$ 696	1,336	\$47,560	10.08%
2010	53	2,490	36	766	1,254	43,205	4.16%
2009	60	2,628	23	644	1,237	41,481	5.02%
2008	63	3,456	31	1,110	1,200	39,497	6.31%
2007	131	7,404	24	1,066	1,168	37,151	20.57%
2005	128	4,393	66	1,290	1,061	30,813	15.83%

\* 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

<b>TOTAL OF ALL GROUPS</b>								(dollars in thousands)	
Fiscal Year	Projected Liabilities For				Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits			
	(1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	(1)		(2)	(3)		
2011	\$ 2,631,430	\$ 4,959,865	\$ 2,406,956	\$ 5,740,516	100.00%	63.00%	0.00%		
2010	\$ 2,553,612	\$ 4,378,205	\$ 2,022,115	\$ 5,233,838	100.00%	61.00%	0.00%		
2009	\$ 2,393,635	\$ 4,012,274	\$ 2,069,143	\$ 4,937,320	100.00%	63.00%	0.00%		
2008	\$ 2,312,069	\$ 3,618,118	\$ 1,891,129	\$ 5,302,034	100.00%	83.00%	0.00%		
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%		

<b>EMPLOYEES</b>								(dollars in thousands)	
Fiscal Year	Projected Liabilities For				Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits			
	(1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	(1)		(2)	(3)		
2011	\$ 995,389	\$ 1,548,109	\$ 810,983	\$ 1,834,609	100.00%	54.00%	0.00%		
2010	\$ 955,735	\$ 1,344,902	\$ 680,958	\$ 1,721,002	100.00%	57.00%	0.00%		
2009	\$ 899,364	\$ 1,217,430	\$ 666,232	\$ 1,600,150	100.00%	58.00%	0.00%		
2008	\$ 837,375	\$ 1,124,075	\$ 581,109	\$ 1,696,189	100.00%	76.00%	0.00%		
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%		

<b>TEACHERS</b>								(dollars in thousands)	
Fiscal Year	Projected Liabilities For				Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits			
	(1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	(1)		(2)	(3)		
2011	\$ 1,041,699	\$ 1,893,862	\$ 973,407	\$ 2,153,182	100.00%	59.00%	0.00%		
2010	\$ 998,775	\$ 1,770,635	\$ 783,710	\$ 2,049,651	100.00%	59.00%	0.00%		
2009	\$ 926,049	\$ 1,608,341	\$ 855,367	\$ 1,957,103	100.00%	64.00%	0.00%		
2008	\$ 943,611	\$ 1,387,605	\$ 828,084	\$ 2,114,543	100.00%	84.00%	0.00%		
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%		

\* 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 2001 to current.

NOTE: Based on a 7.75% interest rate for fiscal year 2011, an 8.5% interest rate for fiscal years 2005 to 2010 and a 9% interest rate for fiscal years prior to 2005.

NEW HAMPSHIRE RETIREMENT SYSTEM — ACTUARIAL SECTION

<b>POLICE OFFICERS</b>					(dollars in thousands)		
Fiscal Year	Projected Liabilities For			Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits		
	(1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*		(1)	(2)	(3)
2011	\$ 396,344	\$1,030,900	\$432,256	\$ 1,179,798	100.00%	76.00%	0.00%
2010	\$ 397,440	\$851,136	\$386,621	\$ 997,325	100.00%	70.00%	0.00%
2009	\$ 381,273	\$790,433	\$378,409	\$ 940,825	100.00%	71.00%	0.00%
2008	\$ 359,611	\$727,584	\$339,186	\$1,014,088	100.00%	90.00%	0.00%
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%

<b>FIREFIIGHTERS</b>					(dollars in thousands)		
Fiscal Year	Projected Liabilities For			Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits		
	(1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*		(1)	(2)	(3)
2011	\$ 197,998	\$486,994	\$190,310	\$ 572,927	100.00%	77.00%	0.00%
2010	\$ 201,661	\$411,532	\$170,827	\$ 465,861	100.00%	64.00%	0.00%
2009	\$ 186,949	\$396,070	\$169,135	\$ 439,241	100.00%	64.00%	0.00%
2008	\$ 171,471	\$378,854	\$142,751	\$ 477,214	100.00%	81.00%	0.00%
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%

\* 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 2001 to current.

NOTE: Based on 7.75% interest rate for fiscal year 2011, 8.5% interest rate for fiscal years 2005 to 2010 and a 9% interest rate for fiscal years prior to 2005.



## ANALYSIS OF PAST FINANCIAL EXPERIENCE

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 2011	June 30 2009	June 30 2007	June 30 2005	June 30 2003
Projected Normal Rate*	10.71%	9.09%	8.74%	6.06%	5.12%
Decremental Experience	—	—	—	.02	.08
Pensioner's Experience	—	—	—	.02	.04
Excess Salary Increases	—	—	—	(.01)	(.02)
Method Change	—	—	0.98	—	—
Effect of Legislation	(1.95%)	(0.15%)	(0.57)	—	—
Asset (Gains)/Losses	0.31%	1.18%	(0.36)	.79	.65
Current New Entrants	—	—	—	.04	—
Amendments	—	—	—	—	.08
Target Rate System Experience	—	—	—	1.03	—
Assumption Changes	1.01%	—	0.41	.39	.06
Other (Gains)/Losses	0.36%	0.59%	(0.11)	.40	.05
<b>ACTUAL NORMAL RATE</b>	<b>10.44%</b>	<b>10.71%</b>	<b>9.09%</b>	<b>8.74%</b>	<b>6.06%</b>

#### TEACHERS

YEAR ENDED	June 30 2011	June 30 2009	June 30 2007	June 30 2005	June 30 2003
Projected Normal Rate *	11.51%	9.38%	8.93%	4.67%	3.44%
Decremental Experience	—	—	—	(.01)	(.04)
Pensioner's Experience	—	—	—	—	.03
Excess Salary Increases	—	—	—	.09	.11
Method Change	—	—	0.82	—	—
Effect of Legislation	(2.27%)	—	(0.72)	—	—
Asset (Gains)/Losses	0.39%	1.55%	(0.46)	1.52	1.03
Current New Entrants	—	—	—	.02	—
Amendments	—	—	—	—	.02
Target Rate System Experience	—	—	—	1.14	—
Assumption Changes	2.05%	—	0.80	.90	(.10)
Other (Gains)/Losses	0.28%	0.58%	0.01	.60	.18
<b>ACTUAL NORMAL RATE</b>	<b>11.96%</b>	<b>11.51%</b>	<b>9.38%</b>	<b>8.93%</b>	<b>4.67%</b>

\* Based on forecast valuations.

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 2011	June 30 2009	June 30 2007	June 30 2005	June 30 2003
Projected Normal Rate *	22.92%	17.34%	18.21%	12.33%	10.47%
Decremental Experience	—	—	—	.38	.32
Pensioner's Experience	—	—	—	.01	.05
Excess Salary Increases	—	—	—	(.12)	—
Method Change	—	—	1.11	—	—
Effect of Legislation	(7.15%)	—	(2.17)	—	—
Asset (Gains)/Losses	0.85%	2.89%	(0.90)	1.85	1.69
Current New Entrants	—	—	—	.16	—
Amendments	—	—	—	—	.28
Target Rate System Experience	—	—	—	1.47	—
Assumption Changes	4.00%	—	0.31	2.08	(.55)
Other Asset (Gains)/Losses	0.73%	2.69%	0.78	.05	.07
<b>ACTUAL NORMAL RATE</b>	<b>21.35%</b>	<b>22.92%</b>	<b>17.34%</b>	<b>18.21%</b>	<b>12.33%</b>

**FIREFIIGHTERS**

YEAR ENDED	June 30 2011	June 30 2009	June 30 2007	June 30 2005	June 30 2003
Projected Normal Rate *	28.25%	22.52%	24.49%	16.31%	14.41%
Decremental Experience	—	—	—	.04	.22
Pensioner's Experience	—	—	—	(.06)	(.06)
Excess Salary Increases	—	—	—	.17	.36
Method Change	—	—	2.48	—	—
Effect of Legislation	(8.58%)	—	(2.61)	—	—
Asset (Gains)/Losses	0.99%	3.24%	(1.05)	2.23	2.29
Current New Entrants	—	—	—	.14	(.10)
Amendments	—	—	—	—	.33
Target Rate System Experience	—	—	—	6.22	—
Assumption Changes	3.39%	—	0.21	(.32)	(1.48)
Other Asset (Gains)/Losses	(0.26%)	2.49%	(1.00)	(.24)	.34
<b>ACTUAL NORMAL RATE</b>	<b>23.79%</b>	<b>28.25%</b>	<b>22.52%</b>	<b>24.49%</b>	<b>16.31%</b>

\* Based on forecast valuations.

**SUMMARY OF PRINCIPAL PLAN  
PROVISIONS AS INTERPRETED FOR  
VALUATION PURPOSES**

**1—GENERAL**

<b>Legal Plan Name</b>	New Hampshire Retirement System.
<b>Effective Date</b>	July 1, 1967.
<b>Membership</b>	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.
<b>Average Final Compensation (AFC)</b>	Average annual earnable compensation during highest 3 years of creditable service. For active members who commenced service on or after July 1, 2011 or who have non-vested status on or after January 1, 2012 — Average annual earnable compensation during the highest 5 years of creditable service.
<b>NOTE:</b>	A more detailed description of the plan provisions is available from the System's administrative office.

**2—BENEFITS**

**GROUP I MEMBERS (EMPLOYEES AND TEACHERS)**

<b>Service Retirement</b>		
<b>Eligibility</b>	Age 60 years (age 65 for members commencing service on or after July 1, 2011).	
<b>Amount of Benefit</b>	<p>A member annuity equal to the actuarial equivalent of the member's accumulated contributions plus a state annuity.</p> <p>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. (1/66 of AFC times creditable service for members commencing service on or after July 1, 2011.)</p> <p>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.</p>	
<b>Reduced Service Retirement</b>		
<b>Eligibility</b>	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 (age 60 with 30 years of creditable service for members commencing service on or after July 1, 2011).	
<b>Amount of Benefit</b>	Service retirement benefit is reduced by the following percents for each month that benefits commence prior to age 60.	
	<b>Years of Service at Retirement</b>	<b>Monthly Percent Reduction</b>
	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%
	For members commencing service on or after July 1, 2011, normal retirement benefit is reduced 1/4 or 1% for each month prior to age 65.	
<b>Ordinary Disability Retirement</b>		
<b>Eligibility</b>	10 years of service and permanent disability.	
<b>Amount of Benefit</b>	Service retirement benefit if normal retirement age. Under age 60 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.	

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Accidental Disability Retirement

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<b>Eligibility</b>	Permanently disabled due to accident occurring while in the performance of duty.
<b>Amount of Benefit</b>	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.

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Ordinary Death Benefit

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<b>Eligibility</b>	Death, other than accidental death.
<b>Amount of Benefit</b>	<p>(a) If 10 years of service or if eligible for service retirement and,</p> <p>(i) if survived by a spouse, 50% of the service retirement benefit payable until death or remarriage;</p> <p>(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.</p> <p>(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.</p>

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Accidental Death Benefit

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<b>Eligibility</b>	Accidental death occurring while in the performance of duty.
<b>Amount of Benefit</b>	Benefit equal to 50% of AFC.

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Vested Deferred Retirement

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<b>Eligibility</b>	10 years of service, if no withdrawal of contributions.
<b>Amount of Benefit</b>	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 (age 60 for members hired on or after July 1, 2011), 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.

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Return of Members' Contributions

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- (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 of creditable service or age 60 (age 50 with 25 years of creditable service or age 60 for members commencing service on or after July 1, 2011).

**Amount of Benefit** A member annuity that is the actuarial equivalent of the member's accumulated contributions plus a state annuity.  
The state annuity, together with the member annuity, shall be equal to 2-1/2% of AFC times creditable service up to 40 years (2% of AFC times creditable service up to 42.5 years for members commencing service on or after July 1, 2011). However, a member who commenced service on or after July 1, 2011 shall not receive a service retirement allowance until attaining the age of 52.5.

Members hired prior to July 1, 2011 who have non-vested status as of January 1, 2012 shall be subject to the following transition provisions for years of service required for regular service retirement, the minimum age for regular service retirement, and the multiplier used to calculate the retirement annuity, which shall be applicable on January 1, 2012 according to the following table:

Creditable Service on January 1, 2012	Minimum Years of Service	Minimum Age Attained	Annuity Multiplier
(1) Less than 4 years	24 Years	Age 49	2.1%
(2) At least 4 years but less than 6 years	23 Years	Age 48	2.2%
(3) At least 6 years but less than 8 years	22 Years	Age 47	2.3%
(4) At least 8 years but less than 10 years	21 Years	Age 46	2.4%

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.

Reduced Service Retirement

**Eligibility** Members commencing service on or after July 1, 2011 after age 50 with at least 25 years of creditable service.

**Amount of Benefit** The allowance shall be reduced for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age, by 1/4 of 1%.

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.

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Accidental Disability Retirement

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<b>Eligibility</b>	Permanent disability occurring while in the performance of duty.
<b>Amount of Benefit</b>	Members hired prior to July 1, 2011 who have vested status as of January 1, 2012 are eligible for an accidental disability benefit and shall receive a benefit equal to 2/3 of AFC. If a member has more than 26-2/3 years of service, the member will receive a supplemental disability benefit equal to 2-1/2% of AFC times years of creditable service in excess of 26-2/3 years but not in excess of 40 years. Members commencing service on or after July 1, 2011 are eligible for an accidental disability benefit and shall receive a benefit equal to 2/3 of AFC. If a member has more than 33-1/3 years of service, the member will receive a supplemental disability benefit equal to 2% of AFC times years of creditable service in excess of 33-1/3 years but not in excess of 42.5 years. Members hired prior to July 1, 2011 who have non-vested status as of January 1, 2012 are eligible for an accidental disability benefit and shall receive a benefit equal to 2/3 of AFC. The calculation of the supplemental allowance shall be as provided in the transition provisions with the number of years for the supplement adjusted proportionally.

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Ordinary Death Benefit

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<b>Eligibility</b>	Death other than accidental death.
<b>Amount of Benefit</b>	<p>(a) If 10 years service or if eligible for service retirement and,</p> <p style="padding-left: 20px;">(i) if survived by a spouse, 50% of the service retirement benefit payable until death or remarriage.</p> <p style="padding-left: 20px;">(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.</p> <p>(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.</p>

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Accidental Death Benefit

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<b>Eligibility</b>	Accidental death occurring while in the performance of duty.
<b>Amount of Benefit</b>	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.

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Death after Retirement

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**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.

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**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

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Special Death Benefit—Old Firefighter's System

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

<b>Vested Deferred Retirement</b>	
<b>Eligibility</b>	10 years of service, if no withdrawal of contributions.
<b>Amount of Benefit</b>	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.

<b>Return of Members' Contributions</b>	
	(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.

<b>Benefits for Call Firefighters</b>	
<b>Accidental Disability</b>	Annual benefit not to exceed \$1,250 if permanently disabled while in the performance of duty.
<b>Accidental Death</b>	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.
<b>Death after Accidental Disability</b>	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)

<b>By Members</b>	7.0% of earnable compensation. Interest on member contributions shall be 2 percentage points less than either the most recent Board of Trustees approved assumed rate of return determined under RSA 100-A:16, II(h) or the actual rate of return, whichever is lower.
<b>By Local Employer For Employee Members</b>	100% of the normal contribution rate for their employees, plus accrued liability contributions, if any.

**For Teacher Members** For fiscal year 2009, 65% of the normal contribution rate for their employees, plus 65% of accrued liability, if any. For fiscal years 2010 and 2011, local employers will contribute 70% and 75%, respectively, for their employees, plus the same 70% and 75% rate for accrued liability, if any.

**By the State**

**For Employee Members** 100% of the normal contribution rate for its employees, plus accrued liability contributions, if any.

**For Teacher Members** For fiscal year 2009, 35% of the normal contribution rate for teachers employed by local employers, plus 35% of accrued liability on same, if any. For fiscal years 2010 and 2011, the State will contribute 30% and 25%, respectively, for teachers employed by local employers, plus the same 30% and 25% rate for accrued liability, if any.

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**GROUP II MEMBERS (POLICE OFFICERS AND FIREFIGHTERS)**

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**By Members**

**Firefighters** 11.80% of earnable compensation.

**Police Officers** 11.55% of earnable compensation.

**Call Firefighters** \$6 per year (not refundable).

**By Employing Subdivisions**

For fiscal year 2009, 65% of the normal contribution rate for their employees, plus 65% of accrued liability, if any. For fiscal years 2010 and 2011, local employers will contribute 70% and 75%, respectively, for their police officers and firefighters, plus the same 70% and 75% rate for accrued liability, if any. Beginning with fiscal year 2010, the local employers will contribute 100% of the normal contribution rate for “extra or special duty” pay in cases where the employer is billing a third party entity for the cost of extra and special duty services provided to the third party entity.

**By the State**

For fiscal year 2009, 35% of the normal contribution rate for police officers and firefighters employed by local employers, plus 35% of accrued liability on same, if any. For fiscal years 2010 and 2011, the State will contribute 30% and 25%, respectively, for police officers and firefighters employed by local employers, plus the same 30% and 25% rate for accrued liability on the same, if any. 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.

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**OPEB PLAN PROVISIONS**

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Medical subsidy benefits provided under the OPEB plans as of July 1, 2007 are as follows:

	<b>Monthly Amounts</b>	
	<b>Pre-65</b>	<b>Post-65</b>
<b>Single</b>	\$375.56	\$236.84
<b>Couple</b>	\$751.12	\$473.68

The amounts above will not increase.

The following Group I members and their qualified spouses are eligible for coverage under the postemployment medical plans:

- Employee and teacher members of political subdivisions who are eligible to retire as of July 1, 2008, on Service, Early Service or Ordinary Disability, have at least 20 years of credited service as of July 1, 2008 and who actually retire on or before July 1, 2009 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 are eligible to retire as of July 1, 2008, on 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 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 are eligible to retire as of July 1, 2008 and who actually retire on or before July 1, 2009, 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.
- 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.

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

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NEW HAMPSHIRE RETIREMENT SYSTEM

# STATISTICAL SECTION

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## STATISTICAL SECTION SUMMARY

The schedules that follow in this Statistical Section contain statistical and historical data that is considered useful in assessing the economic condition of the Pension and OPEB plans and for evaluating financial and demographic trends over longer periods of time. Included in this section are the following schedules:

- Schedules of Changes in Net Assets for all plans for the past ten years
- Schedules of Benefit and Refund Deductions for all plans over the past ten years
- Schedules of Retired Members by Type of Benefit for all plans
- Schedules of Average Benefit Payment Amounts for all plans
- Schedules of the Principal Participating Employers for all plans
- A Listing of Participating Employers

The NHRS has prepared the data presented for the Changes in Net Assets schedules, Benefit and Refund Deduction schedules, the Principal Participating Employers schedules and the Listing of Participating Employers. The schedules of Retired Members by Type of Benefit and the Schedules of Average Benefit Payments Amounts were prepared by the NHRS's actuary. Due to changes in accounting systems, some data is not available or is limited for the full ten year periods but data for the full ten year periods will be added prospectively.

The investment climate over the past decade has been volatile. Investment returns for fiscal year 2011 (23.0%) and fiscal year 2010 (12.9%) have offset most of the losses experienced during the economic crisis and recession of fiscal years 2008–2009. Although investment returns were positive overall for the decade, net investment income did not achieve the assumed investment return assumption for that period. In absolute dollars, employer contributions to the pension plan have risen 387% over the decade and member contributions to the pension plan have risen 62% over the same period. Pension benefits rose 160% over the decade. Similar increases have been experienced in OPEB contributions and benefits.

The number of NHRS retirees continues to grow along with the average annual benefits amounts paid out. The active membership rolls have remained fairly static throughout the decade but have declined slightly in fiscal years 2011 and 2010 reflecting the constrained economic environment. The number of participating employers remains stable.

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**CHANGES IN NET ASSETS — PENSION PLAN LAST TEN FISCAL YEARS**

	FY 2011	FY 2010	FY 2009	FY 2008
<b>Additions:</b>				
Employer Contributions	\$ 274,582	\$ 269,677	\$196,214	\$188,197
Member Contributions	152,412	149,512	142,528	157,985
Net Investment Income (Loss)	1,121,460	546,492	( 962,057)	( 284,095)
Postemployment Medical Plan Transfers on Behalf of Employers	—	—	—	—
Net Asset Transfers	—	89,505	—	—
Other	13,399	( 1,292)	622	1,721
<b>Total Additions to Plan Net Assets</b>	<b>\$1,561,853</b>	<b>\$1,053,894</b>	<b>(\$622,693)</b>	<b>\$ 63,808</b>
<b>Deductions:</b>				
Pension Benefits	\$ 519,970	\$ 490,075	\$ 452,380	\$391,929
Refunds of Contributions	22,830	21,851	24,204	32,297
Net Asset Transfers	—	—	—	—
Administrative Expense	7,312	6,391	6,968	6,691
Professional Fees	1,425	1,205	1,372	1,382
Other	743	1,776	2,331	1,910
<b>Total Deductions from Plan Net Assets</b>	<b>\$ 552,280</b>	<b>\$ 521,298</b>	<b>\$ 487,255</b>	<b>\$434,209</b>
<b>Change in Plan Net Assets</b>	<b>\$1,009,573</b>	<b>\$ 532,596</b>	<b>(\$1,109,948)</b>	<b>(\$370,401)</b>

**CHANGES IN NET ASSETS — GROUP II POLICE OFFICER & FIREFIGHTER OPEB PLAN  
LAST TEN FISCAL YEARS**

	FY 2011	FY 2010	FY 2009	FY 2008
<b>Additions:</b>				
Employer Contributions	\$ 8,355	\$ 8,143	\$18,707	\$17,369
Net Investment Income (Loss)	3,333	12,876	( 21,012)	( 5,895)
Net Asset Transfers	—	—	—	—
Other	40	( 30)	14	36
<b>Total Additions to Plan Net Assets</b>	<b>\$11,728</b>	<b>\$ 20,989</b>	<b>(\$ 2,291)</b>	<b>\$11,510</b>
<b>Deductions:</b>				
Benefits Paid	\$16,019	\$ 15,916	\$15,688	\$15,229
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	—	—	—	—
Net Asset Transfers	—	89,505	—	—
Administrative Expense	22	151	152	139
Professional Fees	5	28	30	29
Other	2	42	51	40
<b>Total Deductions from Plan Net Assets</b>	<b>\$16,048</b>	<b>\$105,642</b>	<b>\$15,921</b>	<b>\$15,437</b>
<b>Change in Plan Net Assets</b>	<b>(\$ 4,320)</b>	<b>(\$ 84,653)</b>	<b>(\$18,212)</b>	<b>(\$ 3,927)</b>

(in thousands)

FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
\$ 120,438	\$109,372	\$ 89,459	\$ 80,557	\$ 59,172	\$ 57,558
272,369	147,821	145,706	129,087	117,412	103,211
769,701	417,927	373,602	500,511	47,862	( 288,289)
58,201	61,449	43,595	43,083	29,305	25,958
295,392	—	—	—	—	—
86	745	1,198	817	890	1,894
<b>\$1,516,187</b>	<b>\$737,314</b>	<b>\$653,560</b>	<b>\$754,055</b>	<b>\$254,641</b>	<b>(\$ 99,668)</b>
\$ 344,851	\$316,637	\$291,915	\$267,007	\$244,725	\$224,412
34,080	29,382	19,991	16,781	15,223	15,278
—	—	—	—	—	160,374
5,607	4,799	4,314	4,924	4,619	4,263
665	965	705	625	606	389
1,775	1,807	3,313	2,003	1,830	811
<b>\$ 386,978</b>	<b>\$353,590</b>	<b>\$320,238</b>	<b>\$291,340</b>	<b>\$267,003</b>	<b>\$405,527</b>
<b>\$1,129,209</b>	<b>\$383,724</b>	<b>\$333,322</b>	<b>\$462,715</b>	<b>(\$ 12,362)</b>	<b>(\$505,195)</b>

(in thousands)

FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
\$ 18,078	\$20,891	\$14,834	\$15,148	\$ 8,011	\$ 7,640
40,736	23,545	21,638	30,096	2,435	( 17,495)
—	—	1,678	1,688	1,551	35,130
2	75	129	95	81	227
<b>\$ 58,816</b>	<b>\$44,511</b>	<b>\$38,279</b>	<b>\$47,027</b>	<b>\$12,078</b>	<b>\$25,502</b>
\$ 13,672	\$12,374	\$11,209	\$10,104	\$ 8,997	\$ 8,053
18,078	20,891	14,834	15,148	8,011	7,640
160,377	—	—	—	—	—
295	277	261	309	165	465
25	87	60	52	28	34
90	135	106	22	15	73
<b>\$192,537</b>	<b>\$33,764</b>	<b>\$ 26,470</b>	<b>\$25,635</b>	<b>\$17,216</b>	<b>\$ 16,265</b>
<b>(\$133,721)</b>	<b>\$10,747</b>	<b>\$ 11,809</b>	<b>\$21,392</b>	<b>(\$ 5,138)</b>	<b>\$ 9,237</b>

**CHANGES IN NET ASSETS — GROUP I TEACHERS OPEB PLAN  
LAST TEN FISCAL YEARS**

	FY 2011	FY 2010	FY 2009	FY 2008
<b>Additions:</b>				
Employer Contributions	\$13,790	\$13,614	\$22,998	\$22,887
Net Investment Income (Loss)	314	2,662	( 3,701)	( 1,151)
Net Asset Transfers	—	—	—	—
Other	4	( 6)	2	7
<b>Total Additions to Plan Net Assets</b>	<b>\$14,108</b>	<b>\$16,270</b>	<b>\$19,299</b>	<b>\$21,743</b>
<b>Deductions:</b>				
Benefits Paid	\$26,766	\$26,779	\$24,489	\$21,018
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	—	—	—	—
Net Asset Transfers	—	—	—	—
Administrative Expense	2	31	27	27
Professional Fees	—	6	5	5
Other	—	9	9	7
<b>Total Deductions from Plan Net Assets</b>	<b>\$26,768</b>	<b>\$26,825</b>	<b>\$24,530</b>	<b>\$21,057</b>
<b>Change in Plan Net Assets</b>	<b>(\$12,660)</b>	<b>(\$10,555)</b>	<b>(\$ 5,231)</b>	<b>\$ 686</b>

**CHANGES IN NET ASSETS — GROUP I POLITICAL SUBDIVISION  
EMPLOYEES OPEB PLAN  
LAST TEN FISCAL YEARS**

	FY 2011	FY 2010	FY 2009	FY 2008
<b>Additions:</b>				
Employer Contributions	\$ 423	\$ 404	\$12,381	\$11,420
Net Investment Income (Loss)	6,460	6,239	( 8,466)	( 1,632)
Net Asset Transfers	—	—	—	—
Other	77	( 15)	1,023	449
<b>Total Additions to Plan Net Assets</b>	<b>\$6,960</b>	<b>\$6,628</b>	<b>\$ 4,938</b>	<b>\$10,237</b>
<b>Deductions:</b>				
Benefits Paid	\$7,193	\$ 7,009	\$ 6,496	\$ 5,732
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	—	—	—	—
Net Asset Transfers	—	17,482	—	—
Administrative Expense	42	73	61	38
Professional Fees	8	14	12	8
Other	5	20	21	11
<b>Total Deductions from Plan Net Assets</b>	<b>\$7,248</b>	<b>\$24,598</b>	<b>\$ 6,590</b>	<b>\$ 5,789</b>
<b>Change in Plan Net Assets</b>	<b>(\$ 288)</b>	<b>(\$17,970)</b>	<b>(\$ 1,652)</b>	<b>\$ 4,448</b>



(in thousands)					
FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
\$ 17,791	\$19,857	\$11,135	\$11,741	\$10,423	\$ 9,862
15,294	9,948	9,726	14,654	1,047	( 9,509)
—	—	—	—	—	34,955
—	—	—	—	—	—
<b>\$ 33,085</b>	<b>\$29,805</b>	<b>\$20,861</b>	<b>\$26,395</b>	<b>\$11,470</b>	<b>\$35,308</b>
\$ 17,260	\$14,575	\$12,350	\$10,591	\$ 8,747	\$ 7,235
17,791	19,857	11,135	11,741	10,423	9,862
78,362	—	—	—	—	—
109	111	112	141	132	24
7	6	9	11	14	8
33	25	39	8	5	15
<b>\$113,562</b>	<b>\$34,574</b>	<b>\$23,645</b>	<b>\$22,492</b>	<b>\$19,321</b>	<b>\$17,144</b>
<b>(\$ 80,477)</b>	<b>(\$ 4,769)</b>	<b>(\$ 2,784)</b>	<b>\$ 3,903</b>	<b>(\$ 7,851)</b>	<b>\$18,164</b>

(in thousands)					
FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
\$11,858	\$11,102	\$ 8,957	\$ 8,126	\$5,456	\$ 5,825
13,254	8,779	8,728	13,532	860	( 7,533)
—	—	—	—	—	90,289
942	983	906	736	730	100
<b>\$26,054</b>	<b>\$20,864</b>	<b>\$18,591</b>	<b>\$22,394</b>	<b>\$7,046</b>	<b>\$88,681</b>
\$ 4,880	\$ 4,003	\$3,432	\$2,866	\$2,294	\$ 1,659
11,858	11,102	8,957	8,126	5,456	5,825
27,805	—	—	—	—	—
94	97	90	123	122	22
8	5	7	10	13	5
29	23	31	7	5	9
<b>\$44,674</b>	<b>\$15,230</b>	<b>\$12,517</b>	<b>\$11,132</b>	<b>\$7,890</b>	<b>\$ 7,520</b>
<b>(\$18,620)</b>	<b>\$ 5,634</b>	<b>\$ 6,074</b>	<b>\$11,262</b>	<b>(\$ 844)</b>	<b>\$81,161</b>

**CHANGES IN NET ASSETS — GROUP I STATE EMPLOYEES OPEB PLAN  
LAST TEN FISCAL YEARS**

	<b>FY 2011</b>	<b>FY 2010</b>	<b>FY 2009</b>	<b>FY 2008</b>
<b>Additions:</b>				
Employer Contributions	\$10,333	\$10,399	\$11,150	\$10,030
Net Investment Income (Loss)	87	—	—	—
Net Asset Transfers	—	17,482	—	—
Other	1	—	—	—
<b>Total Additions to Plan Net Assets</b>	<b>\$10,421</b>	<b>\$27,881</b>	<b>\$11,150</b>	<b>\$10,030</b>
<b>Deductions:</b>				
Benefits Paid	\$ 9,885	\$10,171	\$10,926	\$11,266
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	—	—	—	—
Net Asset Transfers	—	—	—	—
Administrative Expense	1	—	—	—
Professional Fees	—	—	—	—
Other	—	—	1,017	439
<b>Total Deductions from Plan Net Assets</b>	<b>\$9,886</b>	<b>\$10,171</b>	<b>\$11,943</b>	<b>\$11,705</b>
<b>Change in Plan Net Assets</b>	<b>\$ 535</b>	<b>\$17,710</b>	<b>(\$ 793)</b>	<b>(\$ 1,675)</b>

(in thousands)					
FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
\$10,474	\$9,599	\$8,669	\$ 8,068	\$ 5,415	\$2,631
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<b>\$10,474</b>	<b>\$9,599</b>	<b>\$8,669</b>	<b>\$ 8,068</b>	<b>\$ 5,415</b>	<b>\$2,631</b>
\$10,941	\$10,687	\$10,211	\$ 8,931	\$ 7,869	\$7,062
10,474	9,599	8,669	8,068	5,415	2,631
28,848	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
942	983	906	736	730	100
<b>\$51,205</b>	<b>\$21,269</b>	<b>\$19,786</b>	<b>\$17,735</b>	<b>\$14,014</b>	<b>\$9,793</b>
<b>(\$40,731)</b>	<b>(\$11,670)</b>	<b>(\$11,117)</b>	<b>(\$9,667)</b>	<b>(\$8,599)</b>	<b>(\$7,162)</b>

**SCHEDULES OF BENEFIT  
PAYMENTS BY TYPE**

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

	FY 2011	FY 2010	FY 2009	FY 2008
<b>Type of Benefit</b>				
Age and Service Benefits:				
Service Retirement	\$287,736	\$270,523	\$249,909	\$216,344
Early Retirement	145,483	138,643	125,471	101,286
Survivors	28,986	27,079	25,160	21,961
Vested Deferred	19,217	18,063	17,042	18,573
Other	6,803	5,882	5,040	5,546
Death in Service Benefit	1,654	1,326	2,000	2,396
Disability Benefits				
Duty Related	19,769	18,682	18,043	16,869
Non Duty Related	8,676	8,312	8,261	7,567
Survivors	1,646	1,565	1,454	1,387
<b>Total Benefits</b>	<b>\$519,970</b>	<b>\$490,075</b>	<b>\$452,380</b>	<b>\$391,929</b>
<b>Type of Refund</b>				
Separation	\$ 18,362	\$ 18,580	\$ 20,364	\$ 29,613
Death	4,468	3,271	3,840	2,684
<b>Total Refunds</b>	<b>\$ 22,830</b>	<b>\$ 21,851</b>	<b>\$ 24,204</b>	<b>\$ 32,297</b>

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

	FY 2011	FY 2010	FY 2009	FY 2008
<b>GROUP II POLICE OFFICERS &amp; FIREFIGHTERS</b>				
<b>Type of Benefit</b>				
Medical Subsidy Payments	\$16,019	\$15,916	\$15,688	\$15,229
<b>Total Benefits</b>	<b>\$16,019</b>	<b>\$15,916</b>	<b>\$15,688</b>	<b>\$15,229</b>
<b>GROUP I TEACHERS</b>				
<b>Type of Benefit</b>				
Medical Subsidy Payments	\$26,767	\$26,779	\$24,489	\$21,018
<b>Total Benefits</b>	<b>\$26,767</b>	<b>\$26,779</b>	<b>\$24,489</b>	<b>\$21,018</b>
<b>GROUP I POLITICAL SUBDIVISION EMPLOYEES</b>				
<b>Type of Benefit</b>				
Medical Subsidy Payments	\$7,193	\$7,010	\$6,496	\$5,732
<b>Total Benefits</b>	<b>\$7,193</b>	<b>\$7,010</b>	<b>\$6,496</b>	<b>\$5,732</b>
<b>GROUP I STATE EMPLOYEES OPEB PLAN</b>				
<b>Type of Benefit</b>				
Medical Subsidy Payments	\$9,885	\$10,170	\$10,926	\$11,266
<b>Total Benefits</b>	<b>\$9,885</b>	<b>\$10,170</b>	<b>\$10,926</b>	<b>\$11,266</b>

(in thousands)					
FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
\$190,973	\$176,207	\$164,415	\$152,955	\$140,988	\$131,838
86,655	78,718	71,299	62,194	54,024	47,064
19,915	18,438	16,908	15,234	13,507	12,391
16,054	14,064	12,373	11,022	9,616	8,603
3,959	3,163	2,284	1,498	1,407	1,227
2,456	2,383	2,134	2,549	4,620	3,740
16,198	15,575	14,785	14,246	13,506	12,816
7,253	6,753	6,452	6,200	6,012	5,730
1,388	1,336	1,265	1,109	1,045	1,003
<b>\$344,851</b>	<b>\$316,637</b>	<b>\$291,915</b>	<b>\$267,007</b>	<b>\$244,725</b>	<b>\$224,412</b>
\$ 31,502	\$ 26,630	\$ 16,992	\$16,781	\$ 15,278	\$ 16,979
2,578	2,752	2,999	—	—	—
<b>\$ 34,080</b>	<b>\$ 29,382</b>	<b>\$ 19,991</b>	<b>\$16,781</b>	<b>\$ 15,278</b>	<b>\$ 16,979</b>

(in thousands)					
FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
\$13,672	\$12,374	\$11,209	\$10,104	\$ 8,997	\$ 8,053
<b>\$13,672</b>	<b>\$12,374</b>	<b>\$11,209</b>	<b>\$10,104</b>	<b>\$ 8,997</b>	<b>\$ 8,053</b>
\$17,260	\$14,575	\$12,350	\$10,591	\$ 8,747	\$ 7,235
<b>\$17,260</b>	<b>\$14,575</b>	<b>\$12,350</b>	<b>\$10,591</b>	<b>\$ 8,747</b>	<b>\$ 7,235</b>
\$4,880	\$4,003	\$3,432	\$2,866	\$2,294	\$1,659
<b>\$4,880</b>	<b>\$4,003</b>	<b>\$3,432</b>	<b>\$2,866</b>	<b>\$2,294</b>	<b>\$1,659</b>
\$10,941	\$10,687	\$10,211	\$8,931	\$ 7,869	\$ 7,062
<b>\$10,941</b>	<b>\$10,687</b>	<b>\$10,211</b>	<b>\$8,931</b>	<b>\$ 7,869</b>	<b>\$ 7,062</b>

**SCHEDULE OF RETIRED AND VESTED MEMBERS BY TYPE OF BENEFIT**

<b>SCHEDULE OF RETIRED AND VESTED MEMBERS BY TYPE OF BENEFITS AS OF JUNE 30, 2011 PENSION PLAN</b>								
Amount of Monthly Benefit	Number of Retirees	Type of Retirement*						
		1	2	3	4	5	6	7
<b>EMPLOYEES</b>								
\$1-500	4,213	3,463	45	2	6	—	517	180
501-1,000	4,054	3,093	256	137	7	2	363	196
1,001-1,500	2,579	1,885	71	224	5	4	142	248
1,501-2,000	1,455	1,151	19	78	4	2	73	128
2,001-2,500	835	711	5	22	—	2	49	46
2,501-3,000	475	418	2	8	1	1	34	11
3,001-3,500	286	268	1	2	—	—	13	2
3,501-4,000	198	186	1	1	—	—	10	—
Over 4,000	203	199	1	—	1	—	2	—
<b>Totals</b>	<b>14,298</b>	<b>11,374</b>	<b>401</b>	<b>474</b>	<b>24</b>	<b>11</b>	<b>1,203</b>	<b>811</b>
<b>TEACHERS</b>								
\$1-500	1,114	945	—	—	—	—	61	108
501-1,000	1,479	1,247	46	—	1	—	104	81
1,001-1,500	1,624	1,195	66	5	4	—	85	269
1,501-2,000	1,532	1,346	24	5	4	1	57	95
2,001-2,500	1,490	1,367	15	7	—	1	51	49
2,501-3,000	1,187	1,136	7	1	2	—	32	9
3,001-3,500	901	879	1	—	—	—	19	2
3,501-4,000	434	421	—	—	2	—	11	—
Over 4,000	279	274	—	—	—	—	5	—
<b>Totals</b>	<b>10,040</b>	<b>8,810</b>	<b>159</b>	<b>18</b>	<b>13</b>	<b>2</b>	<b>425</b>	<b>613</b>
<b>POLICE OFFICERS</b>								
\$1-500	156	111	1	—	—	2	32	10
501-1,000	284	147	5	—	—	1	123	8
1,001-1,500	289	163	20	11	—	2	81	12
1,501-2,000	290	183	18	35	—	1	35	18
2,001-2,500	341	245	9	66	—	1	13	7
2,501-3,000	363	263	—	78	—	2	17	3
3,001-3,500	299	251	—	39	1	3	4	1
3,501-4,000	237	212	—	18	—	—	6	1
Over 4,000	681	643	—	32	—	1	5	—
<b>Totals</b>	<b>2,940</b>	<b>2,218</b>	<b>53</b>	<b>279</b>	<b>1</b>	<b>13</b>	<b>316</b>	<b>60</b>
<b>FIREFIIGHTERS</b>								
\$1-500	39	23	—	1	—	2	11	2
501-1,000	88	30	1	—	—	—	56	1
1,001-1,500	146	61	7	10	—	5	62	1
1,501-2,000	119	64	9	14	—	2	27	3
2,001-2,500	184	121	3	26	1	3	27	3
2,501-3,000	159	123	2	25	—	—	8	1
3,001-3,500	147	128	1	14	—	1	2	1
3,501-4,000	123	115	—	6	—	1	1	—
Over 4,000	343	323	—	8	1	—	11	—
<b>Totals</b>	<b>1,348</b>	<b>988</b>	<b>23</b>	<b>104</b>	<b>2</b>	<b>14</b>	<b>205</b>	<b>12</b>

\* 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

Option Selected #										
No Option	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8	Option 9	Other*
2,514	215	286	72	766	167	11	2	—	—	180
2,283	147	263	88	789	274	10	4	—	—	196
1,233	99	199	77	511	209	2	1	—	—	248
612	45	136	52	360	118	2	2	—	—	128
324	16	78	36	261	72	1	1	—	—	46
175	14	58	20	133	64	—	—	—	—	11
99	5	40	14	91	35	—	—	—	—	2
63	4	27	13	64	26	1	—	—	—	—
45	3	32	21	71	29	1	1	—	—	—
<b>7,348</b>	<b>548</b>	<b>1,119</b>	<b>393</b>	<b>3,046</b>	<b>994</b>	<b>28</b>	<b>11</b>	<b>—</b>	<b>—</b>	<b>811</b>
536	44	61	23	261	72	4	5	—	—	108
831	116	72	26	283	64	5	1	—	—	81
708	65	97	39	340	103	3	—	—	—	269
637	60	114	44	431	144	1	6	—	—	95
611	42	106	54	454	170	2	2	—	—	49
471	43	110	42	358	148	1	5	—	—	9
376	28	79	33	286	92	1	4	—	—	2
172	18	42	18	127	57	—	—	—	—	—
110	7	30	10	88	34	—	—	—	—	—
<b>4,452</b>	<b>423</b>	<b>711</b>	<b>289</b>	<b>2,628</b>	<b>884</b>	<b>17</b>	<b>23</b>	<b>—</b>	<b>—</b>	<b>613</b>
98	1	6	15	6	20	—	—	—	—	10
212	5	12	12	15	20	—	—	—	—	8
188	14	12	10	14	39	—	—	—	—	12
157	17	7	22	15	53	1	—	—	—	18
160	20	12	45	20	77	—	—	—	—	7
146	22	8	61	20	103	—	—	—	—	3
104	14	3	77	8	92	—	—	—	—	1
75	8	1	53	8	91	—	—	—	—	1
165	17	8	212	12	266	1	—	—	—	—
<b>1,305</b>	<b>118</b>	<b>69</b>	<b>507</b>	<b>118</b>	<b>761</b>	<b>2</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>60</b>
26	—	2	—	2	7	—	—	—	—	2
77	—	2	1	1	6	—	—	—	—	1
110	10	8	6	6	5	—	—	—	—	1
73	10	5	10	8	10	—	—	—	—	3
95	14	8	24	7	33	—	—	—	—	3
61	8	4	27	11	47	—	—	—	—	1
38	7	3	32	2	64	—	—	—	—	1
36	6	1	27	2	51	—	—	—	—	—
94	13	2	80	3	149	1	1	—	—	—
<b>610</b>	<b>68</b>	<b>35</b>	<b>207</b>	<b>42</b>	<b>372</b>	<b>1</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>12</b>

# 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%

\* Elections for vested members with future benefits are made at commencement of benefits.

<b>SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFITS AS OF JUNE 30, 2011</b>						
<b>OPEB PLANS</b>						
Amount of Monthly Benefit	Number of Retirees	One Person		Two Person		
		Pre 65	Post 65	Pre 65	Post 65	
<b>GROUP II POLICE OFFICERS &amp; FIREFIGHTERS</b>						
\$1-500	1,383	401	956	20	6	
501-1,000	1,145	150	180	803	12	
1,001-1,500	21	3	2	12	4	
1,501-2,000	8	—	—	8	—	
Over \$2,000	—	—	—	—	—	
<b>Total</b>	<b>2,557</b>	<b>554</b>	<b>1,138</b>	<b>843</b>	<b>22</b>	
<b>GROUP I TEACHERS OPEB PLAN</b>						
\$1-500	3,092	558	2,508	1	25	
501-1,000	1,180	361	306	344	169	
1,001-1,500	131	27	21	49	34	
1,501-2,000	49	12	—	37	—	
Over \$2,000	1	1	—	—	—	
<b>Total</b>	<b>4,453</b>	<b>959</b>	<b>2,835</b>	<b>431</b>	<b>228</b>	
<b>GROUP I POLITICAL SUBDIVISION EMPLOYEES OPEB PLAN</b>						
\$1-500	1,115	139	972	1	3	
501-1,000	286	83	109	77	17	
1,001-1,500	13	2	3	7	1	
1,501-2,000	6	3	—	3	—	
Over \$2,000	—	—	—	—	—	
<b>Total</b>	<b>1,420</b>	<b>227</b>	<b>1,084</b>	<b>88</b>	<b>21</b>	
<b>GROUP I STATE EMPLOYEES OPEB PLAN</b>						
\$1-500	1,805	122	1,649	—	34	
501-1,000	338	48	138	118	34	
1,001-1,500	3	2	1	—	—	
1,501-2,000	1	—	—	1	—	
Over \$2,000	—	—	—	—	—	
<b>Total</b>	<b>2,147</b>	<b>172</b>	<b>1,788</b>	<b>119</b>	<b>68</b>	
<b>TOTAL — OPEB PLANS</b>						
\$1-500	7,395	1,220	6,085	22	68	
501-1,000	2,949	642	733	1,342	232	
1,001-1,500	168	34	27	68	39	
1,501-2,000	64	15	—	49	—	
Over \$2,000	1	1	—	—	—	
<b>Total</b>	<b>10,577</b>	<b>1,912</b>	<b>6,845</b>	<b>1,481</b>	<b>339</b>	



**SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS  
PENSION PLAN — EMPLOYEES**

2011 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$336	\$393	\$571	\$837	\$1,126	\$1,519	\$2,257	\$1,039
Average annual benefit	\$4,032	\$4,719	\$6,856	\$10,049	\$13,517	\$18,228	\$27,079	\$12,474
Average final average salary	\$32,512	\$37,153	\$38,954	\$43,438	\$45,838	\$51,964	\$61,282	\$46,178
Number of retired members	936*	1,341	3,334	2,144	2,226	1,277	2,229	13,487**

\* Includes 172 members who did not have service reported.  
\*\* Includes 7,913 members who did not have FAS reported.

2010 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$335	\$386	\$561	\$822	\$1,110	\$1,495	\$2,222	\$1,017
Average annual benefit	\$4,017	\$4,632	\$6,738	\$9,861	\$13,321	\$17,938	\$26,660	\$12,208
Average final average salary	\$32,068	\$35,498	\$37,739	\$41,663	\$44,745	\$50,812	\$60,543	\$45,062
Number of retired members	900*	1,291	3,169	2,059	2,091	1,213	2,079	12,802**

\* Includes 161 members who did not have service reported.  
\*\* Includes 8,088 members who did not have FAS reported.

2009 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$325	\$374	\$547	\$802	\$1,084	\$1,438	\$2,152	\$975
Average annual benefit	\$3,897	\$4,493	\$6,568	\$9,627	\$13,008	\$17,259	\$25,826	\$11,697
Average final average salary	\$31,667	\$35,280	\$36,695	\$40,033	\$43,215	\$48,520	\$58,876	\$43,547
Number of retired members	876*	1,299	3,051	1,971	1,942	1,139	1,914	12,192**

\* Includes 141 members who did not have service reported.  
\*\* Includes 8,241 members who did not have FAS reported.

2008 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$314	\$368	\$538	\$785	\$1,070	\$1,428	\$2,096	\$948
Average annual benefit	\$3,766	\$4,411	\$6,454	\$9,418	\$12,846	\$17,141	\$25,150	\$11,380
Average final average salary	\$30,781	\$36,237	\$35,989	\$39,536	\$42,625	\$47,998	\$57,600	\$42,962
Number of retired members	838*	1,268	2,940	1,896	1,786	1,058	1,794	11,580**

\* Includes 121 members who did not have service reported.  
\*\* Includes 8,377 members who did not have FAS reported.

2007 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$312	\$338	\$515	\$751	\$1,031	\$1,380	\$1,990	\$906
Average annual benefit	\$3,740	\$4,057	\$6,180	\$9,011	\$12,371	\$16,564	\$23,878	\$10,874
Average final average salary	\$30,208	\$35,154	\$35,536	\$38,286	\$41,757	\$46,491	\$54,769	\$41,602
Number of retired members	685*	1,240	2,745	1,885	1,666	966	1,672	10,859**

\* Includes 81 members who did not have service reported.  
\*\* Includes 8,518 members who did not have FAS reported.

NOTE: Due to system changes, average final average salary data is only available for fiscal years 2007-2011. The available data is limited and represents average final average salary for those members who have retired since fiscal year of 2004. Additional years data will be added prospectively.

**SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS  
PENSION PLAN — TEACHERS**

2011 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$432	\$484	\$670	\$1,023	\$1,439	\$1,848	\$2,664	\$1,777
Average annual benefit	\$5,185	\$5,804	\$8,044	\$12,271	\$17,272	\$22,178	\$31,972	\$21,321
Average final average salary	\$50,528	\$53,243	\$45,371	\$53,207	\$58,790	\$63,226	\$69,426	\$61,398
Number of retired members	188*	214	1,111	1,021	1,859	1,608	3,426	9,427**

\* Includes 79 members who did not have service reported.

\*\* Includes 5,148 members who did not have FAS reported.

2010 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$417	\$478	\$664	\$1,005	\$1,435	\$1,847	\$2,656	\$1,781
Average annual benefit	\$5,001	\$5,733	\$7,970	\$12,064	\$17,224	\$22,162	\$31,869	\$21,375
Average final average salary	\$50,790	\$52,875	\$44,197	\$51,833	\$57,897	\$62,372	\$68,973	\$60,970
Number of retired members	171*	203	1,040	965	1,793	1,570	3,345	9,087**

\* Includes 72 members who did not have service reported.

\*\* Includes 5,182 members who did not have FAS reported.

2009 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$422	\$477	\$653	\$984	\$1,409	\$1,817	\$2,591	\$1,736
Average annual benefit	\$5,069	\$5,729	\$7,838	\$11,805	\$16,910	\$21,804	\$31,096	\$20,830
Average final average salary	\$49,132	\$52,820	\$43,328	\$50,592	\$57,660	\$61,404	\$67,107	\$59,692
Number of retired members	155*	179	986	931	1,702	1,477	3,077	8,507**

\* Includes 69 members who did not have service reported.

\*\* Includes 5,217 members who did not have FAS reported.

2008 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$418	\$457	\$636	\$966	\$1,381	\$1,789	\$2,528	\$1,674
Average annual benefit	\$5,015	\$5,478	\$7,633	\$11,590	\$16,568	\$21,470	\$30,334	\$20,087
Average final average salary	\$48,040	\$53,161	\$42,990	\$50,213	\$56,717	\$60,162	\$65,739	\$58,253
Number of retired members	137*	171	929	886	1,531	1,347	2,653	7,654**

\* Includes 59 members who did not have service reported.

\*\* Includes 5,208 members who did not have FAS reported.

2007 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$392	\$417	\$614	\$931	\$1,348	\$1,761	\$2,446	\$1,615
Average annual benefit	\$4,708	\$5,003	\$7,363	\$11,171	\$16,172	\$21,137	\$29,353	\$19,376
Average final average salary	\$48,572	\$51,663	\$41,693	\$49,356	\$56,367	\$58,937	\$63,650	\$56,556
Number of retired members	103*	163	842	855	1,390	1,245	2,330	6,928**

\* Includes 37 members who did not have service reported.

\*\* Includes 5,209 members who did not have FAS reported.

NOTE: Due to system changes, average final average salary data is only available for fiscal years 2007-2011. The available data is limited and represents average final average salary for those members who have retired since fiscal year of 2004. Additional years data will be added prospectively.

**SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS  
PENSION PLAN — POLICE OFFICERS**

2011 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$957	\$1,386	\$1,482	\$2,072	\$2,893	\$4,082	\$5,432	\$2,823
Average annual benefit	\$11,485	\$16,635	\$17,788	\$24,867	\$34,719	\$48,981	\$65,188	\$33,876
Average final average salary	\$47,377	\$52,498	\$46,123	\$58,423	\$74,403	\$87,050	\$97,076	\$75,213
Number of retired members	230*	149	314	251	1,218	523	195	2,880**

\*Includes 140 members who did not have service reported.  
\*\*Includes 1,794 members who did not have FAS reported.

2010 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$942	\$1,352	\$1,483	\$2,034	\$2,845	\$3,940	\$5,114	\$2,724
Average annual benefit	\$11,310	\$16,222	\$17,792	\$24,413	\$34,137	\$47,277	\$61,371	\$32,689
Average final average salary	\$44,656	\$50,016	\$45,342	\$57,278	\$70,960	\$85,452	\$93,848	\$72,439
Number of retired members	218*	145	305	241	1,140	482	171	2,702**

\*Includes 129 members who did not have service reported.  
\*\*Includes 1,814 members who did not have FAS reported.

2009 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$931	\$1,337	\$1,453	\$2,026	\$2,816	\$3,768	\$5,068	\$2,665
Average annual benefit	\$11,166	\$16,048	\$17,438	\$24,309	\$33,797	\$45,213	\$60,811	\$31,980
Average final average salary	\$42,229	\$50,574	\$44,919	\$56,748	\$70,720	\$82,705	\$91,617	\$71,464
Number of retired members	200*	139	293	232	1,093	455	153	2,565**

\*Includes 115 members who did not have service reported.  
\*\*Includes 1,808 members who did not have FAS reported.

2008 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$904	\$1,319	\$1,447	\$2,012	\$2,757	\$3,631	\$4,802	\$2,580
Average annual benefit	\$10,847	\$15,829	\$17,362	\$24,149	\$33,081	\$43,574	\$57,628	\$30,961
Average final average salary	\$42,170	\$50,113	\$45,063	\$57,239	\$69,092	\$80,884	\$87,128	\$69,835
Number of retired members	191*	137	281	221	1,044	424	138	2,436**

\*Includes 106 members who did not have service reported.  
\*\*Includes 1,806 members who did not have FAS reported.

2007 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$857	\$1,229	\$1,441	\$1,924	\$2,659	\$3,417	\$4,396	\$2,482
Average annual benefit	\$10,287	\$14,754	\$17,293	\$23,083	\$31,912	\$41,008	\$52,757	\$29,783
Average final average salary	\$42,069	\$44,602	\$45,745	\$54,398	\$68,606	\$78,547	\$82,489	\$68,235
Number of retired members	162*	130	264	225	959	411	142	2,293**

\*Includes 74 members who did not have service reported.  
\*\*Includes 1,810 members who did not have FAS reported.

NOTE: Due to system changes, average final average salary data is only available for fiscal years 2007-2011. The available data is limited and represents average final average salary for those members who have retired since fiscal year of 2004. Additional years data will be added prospectively.

**SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS  
PENSION PLAN — FIREFIGHTERS**

2011 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$1,063	\$1,519	\$1,600	\$2,062	\$2,656	\$3,846	\$4,971	\$2,967
Average annual benefit	\$12,751	\$18,225	\$19,194	\$24,749	\$31,877	\$46,151	\$59,651	\$35,599
Average final average salary	\$50,146	\$51,114	\$49,051	\$64,919	\$73,582	\$86,853	\$90,415	\$79,520
Number of retired members	90*	30	73	111	555	328	149	1,336**

\*Includes 71 members who did not have service reported.

\*\*Includes 942 members who did not have FAS reported.

2010 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$1,020	\$1,487	\$1,607	\$2,041	\$2,592	\$3,770	\$4,749	\$2,871
Average annual benefit	\$12,244	\$17,846	\$19,283	\$24,493	\$31,109	\$45,240	\$56,983	\$34,454
Average final average salary	\$55,668	\$47,729	\$50,024	\$62,405	\$71,694	\$86,042	\$89,392	\$78,232
Number of retired members	80*	28	73	109	530	304	130	1,254**

\* Includes 62 members who did not have service reported.

\*\* Includes 946 members who did not have FAS reported.

2009 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$967	\$1,439	\$1,585	\$1,998	\$2,537	\$3,707	\$4,592	\$2,794
Average annual benefit	\$11,607	\$17,274	\$19,025	\$23,973	\$30,440	\$44,489	\$55,102	\$33,533
Average final average salary	\$55,668	\$46,372	\$48,616	\$63,891	\$70,685	\$83,078	\$88,852	\$76,730
Number of retired members	78*	28	72	107	534	295	123	1,237

\* Includes 60 members who did not have service reported.

\*\* Includes 963 members who did not have FAS reported.

2008 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$958	\$1,438	\$1,545	\$1,958	\$2,488	\$3,661	\$4,526	\$2,743
Average annual benefit	\$11,495	\$17,254	\$18,541	\$23,499	\$29,857	\$43,934	\$54,311	\$32,914
Average final average salary	\$55,668	\$42,455	\$46,301	\$64,705	\$69,420	\$83,187	\$87,553	\$76,307
Number of retired members	74*	27	70	105	523	287	114	1,200**

\* Includes 56 members who did not have service reported.

\*\* Includes 966 members who did not have FAS reported.

2007 Service	Years Credited Service							Total
	0-4 yrs.	5-9 yrs.	10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
Average monthly benefit	\$924	\$1,286	\$1,534	\$1,933	\$2,396	\$3,495	\$4,229	\$2,651
Average annual benefit	\$11,091	\$15,431	\$18,407	\$23,199	\$28,751	\$41,935	\$50,743	\$31,807
Average final average salary	\$57,429	\$0	\$45,518	\$64,027	\$69,135	\$82,005	\$86,698	\$75,540
Number of retired members	67*	22	73	108	488	297	113	1,168**

\* Includes 47 members who did not have service reported.

\*\* Includes 978 members who did not have FAS reported.

NOTE: Due to system changes, average final average salary data is only available for fiscal years 2007–2011. The available data is limited and represents average final average salary for those members who have retired since fiscal year of 2004. Additional years data will be added prospectively.

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**SCHEDULES OF AVERAGE BENEFIT PAYMENT AMOUNTS — OPEB PLANS\***

**GROUP II — POLICE OFFICERS AND FIREFIGHTERS**

	2011		
	Service	0-4 yrs.*	5-9 yrs.
Average Monthly Benefit		\$433	\$459
Annual Benefits		\$327,489	\$512,666
Number of retired members		63	93

\*\*Includes 17 members who did not have service reported.

	2010		
	Service	0-4 yrs.*	5-9 yrs.
Average Monthly Benefit		\$447	\$472
Annual Benefits		\$343,140	\$509,409
Number of retired members		64	90

\*\*Includes 17 members who did not have service reported.

	2009		
	Service	0-4 yrs.*	5-9 yrs.
Average Monthly Benefit		\$442	\$481
Annual Benefits		\$333,960	\$525,662
Number of retired members		63	91

\*\*Includes 16 members who did not have service reported.

	2008		
	Service	0-4 yrs.*	5-9 yrs.
Average Monthly Benefit		\$438	\$480
Annual Benefits		\$331,421	\$512,554
Number of retired members		63	89

\*\*Includes 17 members who did not have service reported.

	2007		
	Service	0-4 yrs.	5-9 yrs.
Average Monthly Benefit		\$421	\$436
Annual Benefits		\$257,860	\$402,482
Total Retirees		51**	77

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

\*Data prior to fiscal year 2007 is not available. Data for future fiscal years will be added prospectively.

						2011
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	Total	
\$475	\$455	\$545	\$557	\$546	\$531	
\$ 991,312	\$988,209	\$7,868,124	\$3,972,987	\$1,638,323	\$16,299,110	
174	181	1,202	594	250	2,557	

						2010
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	Total	
\$481	\$460	\$548	\$557	\$540	\$533	
\$1,038,333	\$987,831	\$7,695,267	\$3,823,520	\$1,516,304	\$15,913,804	
180	179	1,170	572	234	2,489	

						2009
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	Total	
\$485	\$469	\$548	\$556	\$532	\$533	
\$1,060,239	\$1,013,207	\$7,655,729	\$3,773,959	\$1,367,171	\$15,729,927	
182	180	1,165	566	214	2,461	

						2008
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	Total	
\$493	\$471	\$551	\$559	\$527	\$535	
\$1,047,356	\$982,995	\$7,565,509	\$3,682,116	\$1,283,509	\$15,405,460	
177	174	1,145	549	203	2,400	

						2007
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	Total	
\$482	\$460	\$492	\$522	\$479	\$502	
\$1,012,913	\$998,782	\$6,377,170	\$3,437,412	\$1,185,193	\$13,970,631	
175	181	1,080	549	206	2,319	

**GROUP I — TEACHERS**

	2011		
	Service	0-4 yrs.*	5-9 yrs.
Average Monthly Benefit		\$321	\$376
Annual Benefits		\$38,535	\$4,507
Number of retired members		10	1
**Includes 7 members who did not have service reported.			
	2010		
	Service	0-4 yrs.*	5-9 yrs.
Average Monthly Benefit		\$332	\$376
Annual Benefits		\$27,890	\$4,507
Number of retired members		7	1
**Includes 7 members who did not have service reported.			
	2009		
	Service	0-4 yrs.*	5-9 yrs.
Average Monthly Benefit		\$330	\$376
Annual Benefits		\$27,729	\$4,507
Number of retired members		7	1
**Includes 7 members who did not have service reported.			
	2008		
	Service	0-4 yrs.	5-9 yrs.
Average Monthly Benefit		\$336	\$376
Annual Benefits		\$28,218	\$4,507
Number of retired members		7	1
**Includes 7 members who did not have service reported.			
	2007		
	Service	0-4 yrs.	5-9 yrs.
Average Monthly Benefit		\$300	\$348
Annual Benefits		\$28,759	\$4,173
Total Retirees		8**	1
**Includes 8 members who did not have service reported.			

\*Data prior to fiscal year 2007 is not available. Data for future fiscal years will be added prospectively.



						2011
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	Total	
\$484	\$474	\$429	\$439	\$525	\$484	
\$23,224	\$5,684	\$5,214,828	\$5,032,007	\$15,538,525	\$25,857,310	
4	1	1,014	956	2,467	4,453	

						2010
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	Total	
\$566	\$474	\$438	\$449	\$532	\$492	
\$20,382	\$11,368	\$5,334,533	\$5,139,796	\$15,865,603	\$26,404,079	
3	2	1,016	954	2,487	4,470	

						2009
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	Total	
\$566	\$474	\$436	\$448	\$526	\$488	
\$20,382	\$11,368	\$5,012,288	\$4,890,068	\$14,497,402	\$24,463,744	
3	2	959	909	2,298	4,179	

						2008
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	Total	
\$484	\$474	\$420	\$438	\$513	\$474	
\$23,224	\$11,368	\$4,291,716	\$4,272,710	\$12,376,720	\$21,008,154	
4	2	851	813	2,012	3,690	

						2007
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	Total	
\$402	\$439	\$383	\$408	\$467	\$435	
\$24,135	\$10,526	\$3,465,731	\$3,611,050	\$10,115,236	\$17,275,791	
5	2	754	737	1,804	3,311	

**SCHEDULES OF AVERAGE BENEFIT PAYMENT AMOUNTS — OPEB PLANS\***

**GROUP I — POLITICAL SUBDIVISION EMPLOYEES**

	2011		
	Service	0-4 yrs.*	5-9 yrs.
Average Monthly Benefit		\$330	\$348
Annual Benefits		\$67,317	\$41,814
Number of retired members		17	10
**Includes 8 members who did not have service reported.			
	2010		
	Service	0-4 yrs.*	5-9 yrs.
Average Monthly Benefit		\$367	\$338
Annual Benefits		\$65,985	\$44,665
Number of retired members		15	11
**Includes 8 members who did not have service reported.			
	2009		
	Service	0-4 yrs.*	5-9 yrs.
Average Monthly Benefit		\$364	\$350
Annual Benefits		\$65,541	\$46,198
Number of retired members		15	11
**Includes 7 members who did not have service reported.			
	2008		
	Service	0-4 yrs.*	5-9 yrs.
Average Monthly Benefit		\$327	\$373
Annual Benefits		\$62,810	\$49,275
Number of retired members		16	11
**Includes 9 members who did not have service reported.			
	2007		
	Service	0-4 yrs.	5-9 yrs.
Average Monthly Benefit		\$312	\$327
Annual Benefits		\$48,722	\$39,286
Total Retirees		13**	10
**Includes 10 members who did not have service reported.			

\*Data prior to fiscal year 2007 is not available. Data for future fiscal years will be added prospectively.

			2011		Total
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
\$404	\$390	\$415	\$416	\$493	\$435
\$58,229	\$18,717	\$3,257,086	\$1,655,639	\$2,314,398	\$7,413,200
12	4	654	332	391	1,420

			2010		Total
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
\$424	\$373	\$428	\$424	\$502	\$446
\$60,991	\$17,881	\$3,406,946	\$1,689,244	\$2,404,823	\$7,690,535
12	4	663	332	399	1,436

			2009		Total
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
\$447	\$390	\$428	\$417	\$505	\$444
\$75,081	\$18,717	\$3,179,812	\$1,515,015	\$2,029,561	\$6,929,925
14	4	619	303	335	1,301

			2008		Total
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
\$472	\$390	\$423	\$416	\$512	\$443
\$73,661	\$18,717	\$2,789,673	\$1,334,025	\$1,879,964	\$6,208,125
13	4	550	267	306	1,167

			2007		Total
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	
\$462	\$358	\$396	\$375	\$459	\$408
\$83,195	\$21,504	\$2,100,042	\$1,094,540	\$1,492,664	\$4,887,273
15	5	442	243	271	999

**GROUP I — STATE EMPLOYEES**

	2011		
	Service	0-4 yrs.*	5-9 yrs.
Average Monthly Benefit		\$408	\$455
Annual Benefits		\$724,932	\$382,467
Number of retired members		148	70
**Includes 76 members who did not have service reported.			
	2010		
	Service	0-4 yrs.*	5-9 yrs.
Average Monthly Benefit		\$411	\$483
Annual Benefits		\$789,405	\$405,955
Number of retired members		160	70
**Includes 76 members who did not have service reported.			
	2009		
	Service	0-4 yrs.*	5-9 yrs.
Average Monthly Benefit		\$410	\$497
Annual Benefits		\$842,110	\$411,185
Number of retired members		171	69
**Includes 86 members who did not have service reported.			
	2008		
	Service	0-4 yrs.	5-9 yrs.
Average Monthly Benefit		\$405	\$499
Annual Benefits		\$889,207	\$419,431
Number of retired members		183	70
**Includes 99 members who did not have service reported.			
	2007		
	Service	0-4 yrs.	5-9 yrs.
Average Monthly Benefit		\$373	\$499
Annual Benefits		\$838,008	\$455,030
Total Retirees		187**	76
**Includes 115 members who did not have service reported.			

\*Data prior to fiscal year 2007 is not available. Data for future fiscal years will be added prospectively.

						2011
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	Total	
\$432	\$405	\$370	\$378	\$403	\$393	
\$482,302	\$208,938	\$2,503,738	\$1,772,785	\$4,052,072	\$10,127,234	
93	43	564	391	838	2,147	
						2010
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	Total	
\$432	\$412	\$376	\$381	\$412	\$400	
\$487,783	\$212,754	\$2,559,991	\$1,858,335	\$4,238,332	\$10,552,555	
94	43	567	406	857	2,197	
						2009
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	Total	
\$436	\$406	\$384	\$384	\$420	\$406	
\$497,284	\$214,419	\$2,678,358	\$1,952,886	\$4,460,274	\$11,056,516	
95	44	581	424	884	2,268	
						2008
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	Total	
\$437	\$414	\$392	\$399	\$427	\$413	
\$509,140	\$223,432	\$2,815,199	\$2,051,632	\$4,628,374	\$11,536,415	
97	45	599	429	904	2,327	
						2007
10-14 yrs.	15-19 yrs.	20-24 yrs.	25-29 yrs.	30 or more yrs.	Total	
\$409	\$424	\$334	\$375	\$406	\$393	
\$456,490	\$274,872	\$2,281,923	\$1,965,753	\$4,669,153	\$11,194,846	
93	54	570	437	958	2,375	

**PRINCIPAL PARTICIPATING EMPLOYERS**

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

	As Of June 30, 2011			As Of June 30, 2004**		
	# of Covered	Rank	Percentage of Total	# of Covered	Rank	Percentage of Total
<b>Participating Government</b>	<b>Employees</b>	<b>Rank</b>	<b>System</b>	<b>Employees</b>	<b>Rank</b>	<b>System</b>
State of New Hampshire	10,659	1	21.43%	11,768	1	23.33%
Manchester School District	1,348	2	2.71%	1,396	2	2.77%
SAU 42 (Nashua School District)	1,269	3	2.55%	1,313	3	2.60%
Community College System of New Hampshire	740	4	1.49%	—	—	—
Timberlane School District	668	5	1.34%	645	4	1.28%
Merrimack School District	652	6	1.31%	481	9	0.95%
City of Dover	622	7	1.25%	—	—	—
City of Nashua	611	8	1.23%	603	6	1.20%
Concord School District	609	9	1.23%	623	5	1.24%
SAU 54 (Rochester School District)	593	10	1.19%	588	8	1.17%
All Other*	31,967		64.27%	31,931		63.33%
<b>Total (474 Governments)</b>	<b>49,738</b>		<b>100.00%</b>	<b>50,420</b>		<b>100.00%</b>

\*As of June 30, 2011, "All Other" consisted of:

Type	Number	Employees
State Government	4	105
City Governments	11	2,343
Town Governments & Related Entities	242	5,708
County Governments & Related Entities	12	3,334
School Districts & School Administrative Units	195	20,477
<b>Total</b>	<b>464</b>	<b>31,967</b>

\*\*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, 2011 begins on the page 123.

**PRINCIPAL PARTICIPATING EMPLOYERS — GROUP II POLICE OFFICERS AND FIREFIGHTERS OPEB PLAN CURRENT YEAR AND NINE YEARS AGO**

	As Of June 30, 2011			As Of June 30, 2008**		
	# of Covered	Rank	Percentage of Total	# of Covered	Rank	Percentage of Total
<b>Participating Government</b>	<b>Employees</b>	<b>Rank</b>	<b>OPEB Plan</b>	<b>Employees</b>	<b>Rank</b>	<b>OPEB Plan</b>
State of New Hampshire	621	1	24.29%	620	1	25.83%
City of Manchester	287	2	11.22%	310	2	12.92%
City of Nashua	228	3	8.92%	221	3	9.21%
City of Concord	113	4	4.42%	118	4	4.92%
Town of Salem	105	5	4.11%	98	5	4.08%
City of Portsmouth	91	6	3.56%	80	6	3.33%
City of Dover	72	7	2.82%	61	7	2.54%
Town of Derry	58	8	2.27%	48	9	2.00%
City of Keene	55	9	2.15%	50	8	2.08%
Town of Hampton	51	10	1.99%	48	9	2.00%
All Other*	876		34.25%	746		31.09%
<b>Total (140 Governments)</b>	<b>2,557</b>		<b>100.00%</b>	<b>2,400</b>		<b>100.00%</b>

\*As of June 30, 2011, "All Other" consisted of:

Type	Number	Employees
City Governments	7	215
Town Governments & Related Entities	113	565
County Governments & Related Entities	10	96
<b>Total</b>	<b>130</b>	<b>876</b>

\*\*Data for nine years ago is not available due to changes in accounting systems. Data for June 30, 2008 will be reported prospectively until such time as data is available for nine years ago.

**PRINCIPAL PARTICIPATING EMPLOYERS — GROUP I TEACHERS  
OPEB PLAN CURRENT YEAR AND NINE YEARS AGO**

	As Of June 30, 2011			As Of June 30, 2008**		
	# of Covered	Rank	Percentage of Total OPEB Plan	# of Covered	Rank	Percentage of Total OPEB Plan
<b>Participating Government</b>	<b>Employees</b>	<b>Rank</b>	<b>OPEB Plan</b>	<b>Employees</b>	<b>Rank</b>	<b>OPEB Plan</b>
Manchester School District	509	1	11.43%	464	1	12.57%
SAU 42 (Nashua School District)	392	2	8.80%	304	2	8.24%
Concord School District	197	3	4.43%	181	3	4.91%
Keene School District	162	4	3.64%	147	4	3.98%
Portsmouth School District	148	5	3.32%	142	5	3.85%
Salem School District	119	6	2.67%	90	6	2.44%
Dover School District	99	7	2.22%	85	7	2.30%
Merrimack School District	97	8	2.18%	—	—	—
SAU 54 (Rochester School District)	94	9	2.11%	73	9	1.98%
SAU 10 (Derry Coop School District)	85	10	1.91%	—	—	—
All Other*	2,551		57.29%	2,204		59.73%
<b>Total (174 Governments)</b>	<b>4,453</b>		<b>100.00%</b>	<b>3,690</b>		<b>100.00%</b>

\*As of June 30, 2011, "All Other" consisted of:

Type	Number	Employees
School Districts & School Administrative Units	164	2,551
<b>Total</b>	<b>164</b>	<b>2,551</b>

\*\*Data for nine years ago is not available due to changes in accounting systems. Data for June 30, 2008 will be reported prospectively until such time as data is available for nine years ago.

**PRINCIPAL PARTICIPATING EMPLOYERS — GROUP I POLITICAL SUBDIVISION EMPLOYEES  
OPEB PLAN CURRENT YEAR AND NINE YEARS AGO**

	As Of June 30, 2011			As Of June 30, 2008**		
	# of Covered	Rank	Percentage of Total OPEB Plan	# of Covered	Rank	Percentage of Total OPEB Plan
<b>Participating Government</b>	<b>Employees</b>	<b>Rank</b>	<b>OPEB Plan</b>	<b>Employees</b>	<b>Rank</b>	<b>OPEB Plan</b>
City of Concord	73	1	5.14%	71	1	6.08%
Hillsborough County	47	2	3.31%	36	3	3.08%
City of Nashua	43	3	3.03%	37	2	3.17%
Rockingham County	35	4	2.47%	28	4	2.40%
Concord School District	34	5	2.39%	27	5	2.31%
City of Portsmouth	34	6	2.39%	26	6	2.23%
Merrimack County	33	7	2.32%	27	5	2.31%
City of Berlin	30	8	2.11%	28	4	2.40%
Grafton County	29	9	2.04%	26	6	2.23%
City of Dover	28	10	1.97%	—	—	—
All Other*	1,034		72.82%	861		73.79%
<b>Total (214 Governments)</b>	<b>1,420</b>		<b>100.00%</b>	<b>1,167</b>		<b>100.00%</b>

\*As of June 30, 2011, "All Other" consisted of:

Type	Number	Employees
City Governments	8	95
Town Governments & Related Entities	62	260
County Governments & Related Entities	8	65
School Districts & School Administrative Units	126	614
<b>Total</b>	<b>204</b>	<b>1,034</b>

\*\*Data for nine years ago is not available due to changes in accounting systems. Data for June 30, 2008 will be reported prospectively until such time as data is available for nine years ago.

**PRINCIPAL PARTICIPATING EMPLOYERS — GROUP I STATE EMPLOYEES  
OPEB PLAN CURRENT YEAR AND NINE YEARS AGO**

	As Of June 30, 2011			As Of June 30, 2008**		
	# of Covered	Rank	Percentage of Total	# of Covered	Rank	Percentage of Total
<b>Participating Government</b>	<b>Employees</b>	<b>Rank</b>	<b>OPEB Plan</b>	<b>Employees</b>	<b>Rank</b>	<b>OPEB Plan</b>
State of New Hampshire	2,011	1	93.67%	2,320	1	99.70%
Community College System of New Hampshire	129	2	6.01%	—	—	—
New Hampshire Retirement System	7	3	0.32%	7	2	0.30%
<b>Total (5 Governments)</b>	<b>2,147</b>		<b>100.00%</b>	<b>2,327</b>		<b>100.00%</b>

\*\*Data for nine years ago is not available due to changes in accounting systems. Data for June 30, 2008 will be reported prospectively until such time as data is available for nine years ago.



LISTING OF PARTICIPATING  
EMPLOYERS**STATE GOVERNMENT**

State of New Hampshire E, P, F  
 Community College System of  
 New Hampshire E  
 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, F  
 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 E, F  
 Canaan E, P  
 Candia P  
 Canterbury E, P, F  
 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, T, 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

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

NEW HAMPSHIRE RETIREMENT SYSTEM — STATISTICAL SECTION

Henniker E, P, F	Lyndeborough P	New Hampshire Municipal Bond Bank E
Hillsborough P, F	Madison E, P	North Conway Water Precinct/ Fire Department E, F
Hinsdale E, P	Manchester P, F	North Hampton E, P, F
Holderness E, P, F	Marlborough E, P	Northfield E, P
Hollis E, P, F	Marlow E	Northumberland E, P
Hooksett E, P, F	Mason P	Northwood E, P, F
Hooksett Public Library E	Maxfield Public Library E	Nottingham P, F
Hooksett Sewer Commission E	Meredith E, P, F	Orford E, P
Hooksett Village Water Precinct E	Meriden Village Water District E	Ossipee E, P
Hopkinton E, P, F	Merrimack E, P, F	Pelham E, P, F
Hudson E, P, F	Merrimack Village District E	Pembroke E, P
Jackson E, P	Middleton P	Penacook-Boscawen Water Precinct E
Jaffrey E, P, F	Milford E, P, F	Peterborough E, P, F
Jefferson E	Milford Area Communication Center E	Piermont P
Keene E, P, F	Milton E, F, P	Pittsburg E, P
Kensington P	Milton Water District E	Pittsfield E, P, F
Kingston E, F, P	Monroe E	Plainfield E, P
Laconia E, P, F	Mont Vernon E, P	Plaistow E, P, F
Laconia Housing & Redevelopment E	Moultonborough E, P, F	Plaistow Public Library E
Laconia Water Works E	Nashua E, P, F	Plymouth E, P, F
Lakes Region Mutual Fire Aid E, F	Nashua Airport Authority E	Plymouth Village Water & Sewer E
Lakes Region Planning Commission E	Nashua Housing Authority E	Portsmouth E, P, F
Lancaster E, P, F	Nelson E	Portsmouth Housing Authority E
Langdon P	New Boston P	Raymond E, P, F
Lebanon E, P, F	New Castle E, P, F	Rindge E, P, F
Lee E, P, F	New Durham E, P	Rochester E, P, F
Lempster E	New England Interstate Water Pollution Control Commission E	Rockingham Planning Commission E
Lincoln E, P	New Hampton E, P	Rollinsford P
Lisbon P	New Ipswich E, P	Rumney E, P
Litchfield E, P, F	New London E, P, F	Rye E, P, F
Littleton E, P, F	New London-Springfield Water Precinct E	Rye Water District E
Littleton Public Library E	Newbury P	Salem E, P, F
Littleton Water & Light Department E	Newfields E, P	Salem Housing Authority E
Londonderry E, P, F	Newington E, P, F	Salisbury E
Loudon E, P, F	Newmarket E, P, F	Sanbornton E, P, F
Lyme E, P	Newport E, P, F	
	Newton E, P	

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

Sanbornton Public Library E	Webster E, P	Bath School District E, T
Sandown E, P, F	Weeks Public Library E	Bedford School District E, T
Sandwich P	Westmoreland E	Bethlehem School District E, T
Seabrook P, F	Whitefield E, P	Bow School District E, T
Shelburne E	Wilmot E, P	Brentwood School District E, T
Somersworth E, P, F	Wilton P	Brookline School District T
Somersworth Housing Authority E	Winchester E, P	Campton School District E, T
South Hampton P	Windham E, P, F	Candia School District E, T
Southern NH Planning Commission E	Wolfeboro E, P, F	Chester School District E, T
Springfield E, P	Woodstock E, P	Chesterfield School District E, T
Stark E	Woodsville Fire District E	Chichester School District E, T
Stewartstown E, P	Woodsville Water & Light Department E	Claremont School District E, T
Strafford P		Cocheco Arts & Technology Academy T
Stratford E	<b>COUNTY GOVERNMENTS (AND RELATED ENTITIES)</b>	Colebrook School District T
Stratham E, P	Belknap County E, P	Concord School District E, T
Sugar Hill E, P	Belknap County Conservation District E	Contoocook Valley Regional School District-SAU 1 E, T
Sunapee E, P	Carroll County E, P	Conway School District E, T
Sutton P	Cheshire County E, P	Cornish School District E, T
Swanzey P, F	Coos County E, P	Croydon School District E, T
SWNH District Fire Mutual Aid E, F	Coos County Nursing Home E	Deerfield School District T
Tamworth E, P, F	Grafton County E, P	Dresden School District E, T
Thornton E, P	Hillsborough County E, P	Dunbarton School District T
Tilton E, P	Merrimack County E, P	East Kingston School District E, T
Tilton/Northfield Fire District E, F	Rockingham County E, P	Epping School District E, T
Troy E, P	Strafford County E, P	Epsom School District T
Tuftonboro E, P, F	Sullivan County E, P	Errol School District T
Unity E		Exeter School District E, T
Village District of Eastman E	<b>SCHOOL DISTRICTS</b>	Exeter Regional Co-Op School District E, T
Wakefield E, P, F	Allenstown School District T	Fall Mountain Regional School District E, T
Walpole E, P	Alton School District E, T	Farmington School District E, T
Warner E, P	Amherst School District E, T	Franklin School District E, T
Warner Village Water District E	Andover School District E, T	Freedom School District E, T
Washington E, P	Ashland School District E, T	Fremont School District E, T
Waterville Estates Village District E	Auburn School District E, T	Gilford School District E, T
Waterville Valley E, P, F	Barnstead School District E, T	Gilmanton School District E, T
Weare E, P	Barrington School District E, T	Goffstown School District E, T
	Bartlett School District E, T	

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

NEW HAMPSHIRE RETIREMENT SYSTEM — STATISTICAL SECTION

Goshen-Lempster School District E, T	Lebanon School District E, T	North Country Charter Academy T
Governor Wentworth Regional School District E, T	Lincoln Woodstock Coop School District E, T	North Country Education Service E, T
Great Bay eLearning Charter School T	Lisbon Regional School District E, T	North Hampton School District E, T
Greenland School District E, T	Litchfield School District E, T	Northumberland School District E, T
GRS Cooperative School District E, T	Littleton School District E, T	Northwood School District E, T
Hampstead School District E, T	Londonderry School District E, T	Nottingham School District E, T
Hampton Falls School District E, T	Lyme School District E, T	Oyster River Coop School District E, T
Hampton School District E, T	Madison School District E, T	Pelham School District E, T
Hanover School District E, T	Manchester School District E, T	Pembroke School District E, T
Harrisville School District E, T	Marlborough School District E, T	Pemi-Baker Regional School District E, T
Haverhill Coop School District E, T	Marlow School District E, T	Piermont School District E, T
Henniker School District E, T	Mascenic Regional School District E, T	Pittsburg School District E, T
Hill School District E, T	Mascoma Valley Regional School District E, T	Pittsfield School District E, T
Hillsboro-Deering School District E, T	Mason School District E, T	Plainfield School District E, T
Hinsdale School District E, T	Merrimack School District E, T	Plymouth School District E, T
Holderness School District E, T	Merrimack Valley School District E, T	Portsmouth School District — SAU 52 E, T
Hollis School District E, T	Milan School District E, T	Portsmouth—Josie F. Prescott E
Hollis/Brookline Coop School District E, T	Milford School District E, T	Profile Coop School District E, T
Hooksett School District E, T	Milton School District E, T	Propsect Mountain High School E, T
Hopkinton School District E, T	Monadnock Regional School District E, T	Raymond School District E, T
Hudson School District E, T	Monroe School District E, T	Rivendell Interstate School District E, T
Inter-Lakes Cooperative School District E, T	Mont Vernon School District E, T	Rollinsford School District E, T
Jackson School District E, T	Moultonborough School District E, T	Rumney School District T
Jaffrey-Rindge Co-op E, T	Nelson School District T	Rye School District E, T
John Stark Regional School District E, T	New Boston School District E, T	Salem School District E, T
Kearsarge Regional Cooperative School District E, T	New Castle School District E, T	Sanborn Regional School District E, T
Keene School District E, T	Newfields School District T	Seabrook School District E, T
Kensington School District E, T	Newfound Area School District E, T	Seacoast Charter School T
Laconia School District E, T	Newington School District E, T	Shaker Regional School District E, T
Lafayette Regional Cooperative School District E, T	Newmarket School District E, T	Somersworth School District E, T
Landaff School District T	Newport School District E, T	Souhegan Cooperative School District E, T

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

South Hampton School District E, T	Winchester School District E, T	SAU 34 E, T
Stark School District E, T	Windham School District E, T	SAU 35 E, T
Stewartstown School District T	Winnacunnet Coop School District E, T	SAU 38 E, T
Stoddard School District E, T	Winnacunnet Coop School District E, T	SAU 39 E
Strafford School District E, T	Winnisquam Regional Coop School District E, T	SAU 41 E
Stratford School District E, T		SAU 42 E, T
Stratham School District E, T		SAU 43 E, T
Sunapee School District E, T		SAU 44 E, T
Tamworth School District E, T		SAU 46 E
Thornton School District E, T		SAU 48 E, T
Timberlane Regional School District E, T		SAU 50 E, T
Unity School District E, T		SAU 53 E, T
Virtual Learning Academy Charter School T		SAU 54 E, T
Wakefield School District E, T		SAU 55 E
Warren School District E, T		SAU 56 E, T
Washington School District E, T		SAU 58 E
Waterville Valley School District E, T		SAU 64 E, T
Weare School District T		SAU 67 E
Wentworth School District T		SAU 70 E
Westmoreland School District E, T		SAU 75 E, T
White Mountains Regional School District E, T		
Wilton-Lyndeborough School District E, T		
	<b>SCHOOL ADMINISTRATIVE UNITS</b>	
	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 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	

KEY: E – Employees T – Teachers P – Police Officers F – Firefighters  
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