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NHRS Responds to Erroneous Claims

Recent statements misrepresent the financial status of the retirement system

CONCORD, N.H. – In recent days, erroneous and misleading assertions about the fiscal health of the New Hampshire Retirement System (NHRS, the retirement system) have appeared on websites, in e-mails, and in printed materials.

Because the nature of these claims may cause our members, retirees, and others to have concerns, we offer the following clarifications:

- NHRS has not run out of money and will not run out of money in 2022: Claims to the contrary are based on an academic study of multiple state retirement systems that makes broad assumptions about contributions and other variables that do not reflect the reality in New Hampshire. The NHRS Board of Trustees has a constitutional mandate to assess actuarially sound contribution rates, and NHRS is collecting contributions that are designed to pay for both current and prior liabilities. A previously released clarification of the findings contained in this study is posted at www.nhrs.org/News/Files/10_22_10_Unfunded_Liability_Response.pdf.
- NHRS has an unfunded liability of \$3.5 billion, not \$7 billion: While this is a significant amount, legislative steps have been taken in recent years to begin to pay it down. The \$7 billion figure, which has been cited from a 2009 General Obligation Capital Improvement Bond Statement released by the state, includes the cost of health insurance for state employees and other state obligations that are not funded out of the NHRS trust fund.
- The unfunded liability has increased in recent years: One of the reasons for this is because the Legislature changed the methodology used to calculate the unfunded liability to a more generally accepted formula. This change, which became effective June 30, 2007, provided a more realistic picture of the challenges facing NHRS – and spurred debate on how to deal with the issue. Investment losses in 2008-09 also increased the existing unfunded liability, the bulk of which was already on the books as a result of nearly two decades of artificially

low employer contribution rates and the diversion of more than \$900 million in retirement trust fund earnings to the Special Account, beginning in the 1990s, to pay for non-pension benefits.

“The financial health of the New Hampshire Retirement System is an important issue for every New Hampshire resident,” said NHRS Executive Director Dick Ingram. “Through annual reports, actuarial valuations, and other publications, NHRS accurately represents the financial status of the retirement system.”

Ingram continued, “The trustees and staff at NHRS have been up-front about the challenges the system faces. In fact, the Legislature has enacted a number of changes over the last four years concerning the retirement system. There are legitimate policy issues still to be debated, but these issues need to be looked at based on the facts, not on distortions or misrepresentations.”

The New Hampshire Retirement System provides retirement, disability, and death benefits to its eligible members and their beneficiaries. The State of New Hampshire and more than 475 local government employers participate in NHRS for their employees, teachers, firefighters, and police officers. NHRS has approximately 51,000 active members and 24,500 pension recipients. NHRS administers a defined benefit plan qualified as a tax-exempt entity under section 401(a) and 501(a) of the Internal Revenue Code.

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