



NH Retirement System
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The State of the State's Retirement System

NHRS Consulting Actuary Recommends Rate Changes Beginning July 1, 2011

The New Hampshire Retirement System (NHRS, "the System") has fared better than other public retirement systems in difficult financial markets. For the fiscal year ending June 30, 2009, NHRS' investment returns were better than other systems, and its employer rate increases are expected to be less extreme than some of its peers.

Investment returns provide the majority of funding for member benefits. By adhering to its disciplined approach to funding, NHRS will remain well-positioned to realize investment returns in the years ahead, based on adequate contributions levels now. One year ago, employer rates were estimated to increase by 25 to 35 percent, but the System's consulting actuary recommends employer rates for each member classification (employee, teacher, firefighter and police officer) increase by 11.4 to 31.1 percent for Fiscal Years 2012 and 2013, for a total fund increase of 22.7 percent. These rates will generate contributions that will be invested to produce future investment returns for the trust fund.

Currently valued at approximately \$5.0 billion, the NHRS trust fund experienced an 18 percent investment loss in Fiscal Year 2009 compared to 20-30 percent losses among other retirement systems. Investment performance has continued to improve since the end of Fiscal Year 2009, when assets were \$4.3 billion.

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The primary driver for NHRS' increasing rates is recent investment losses. This is common among pension funds throughout the nation during these volatile economic times. Despite the investment losses, the future of NHRS looks better than projected a year ago.

“The System is positioned well for recovery and should be able to improve as the economy improves, as long as member and employer contributions are made as calculated and recommended,” stated Ken Alberts of Gabriel, Roeder Smith & Company (GRS), the consulting actuary for NHRS, during a presentation to the trustees of the System during the November monthly board meeting.

As part of its actuarial valuation, GRS calculated the amount of funds which must be contributed to the pension plan in order to support the benefits that will become payable in the future. In recent years NHRS has adopted more mainstream, standard practices, where investment gains and losses are smoothed over a short period of time to avoid extreme volatility in rates.

Historically the benefit levels imposed by statutory mandates were not funded sufficiently by contribution rates. Prior to the changes, the actuarial methodology and accounting practices used by the System led to overstating the funding status of the trust, lower employer contribution rates, and a weak funding ratio before the economic downturn. Prudent investment strategies based on long-term discipline will ensure that the NHRS trust fund withstands market fluctuations to sustain long-term viability so it may meet pension obligations.

NHRS is a multi-employer contributory defined benefit plan, qualified as a tax-exempt entity under section 401(a) and 501(a) of the Internal Revenue Code. The System provides retirement, disability, and death benefits to its eligible members and their beneficiaries. More than 51,000 employees, firefighters, police officers, and teachers are NHRS members through their state and local government employers, and approximately 24,000 pension recipients receive monthly benefits.

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New Hampshire Retirement System

Recommended Employer Contribution Rates For July 1, 2011 through June 30, 2013 *Based on the Actuarial Valuation for June 30, 2009*

	<u>Pension</u>	<u>Medical Subsidy</u>	<u>Total</u>
Employees - State			
Current rates	9.09%	1.96%	11.05%
Recommended rates	10.71%	1.60%	12.31%
Percentage change	17.82%	-18.37%	11.40%
Employees - Political Subdivisions			
Current rates	9.09%	0.07%	9.16%
Recommended rates	10.71%	0.38%	11.09%
Percentage change	17.82%	442.86%	21.07%
Teachers			
Current rates	9.38%	1.32%	10.70%
Recommended rates	11.51%	2.44%	13.95%
Percentage change	22.71%	84.85%	30.37%
Police			
Current rates	17.34%	2.17%	19.51%
Recommended rates	22.92%	2.65%	25.57%
Percentage change	32.18%	22.12%	31.06%
Fire			
Current rates	22.52%	2.17%	24.69%
Recommended rates	28.25%	2.65%	30.90%
Percentage change	25.44%	22.12%	25.15%
Total Plan Average			
Current rates	10.70%	1.47%	12.17%
Recommended rates	13.11%	1.82%	14.93%
Percentage change	22.52%	23.81%	22.68%