

**STATEMENT OF POLICY REGARDING COMPUTATION OF
EMPLOYER WITHDRAWAL LIABILITY UNDER RSA § 100-A:43**

Purpose and Scope of Policy: The purpose of this Statement is to identify the general principles and methods that will be applied by the Board of Trustees and Actuary of the New Hampshire Retirement System ("NHRS") to implement the withdrawal liability requirement in RSA § 100-A:43. This Statement shall apply to all employer withdrawals from NHRS that are effective on or after January 1, 2010.

Nothing in this Statement is intended to waive any provision, right or requirement of applicable law, including RSA § 100-A:43. The Board of Trustees reserves the right to amend this Statement of Policy at any time and for any reason. The Board of Trustees also reserves the right to deviate from this Statement of Policy in any case in which application of the Statement of Policy would, in the Board's sole discretion, produce an unreasonable result.

Allocation Methodology: RSA § 100-A:43 provides, in relevant part, that "an employer which has an established unfunded accrued liability at the time which it elects to withdraw from the retirement system under this section, and whose officers and employees have elected to and are receiving retirement benefits or have filed for a vested deferred retirement allowance, shall pay the balance of the unfunded accrued liability on a prorated basis as determined by the retirement system actuary for any such officers or employees." For purposes of implementing this provision, the following principles shall apply.

- (A) The total amount of the unfunded accrued liability allocable to a withdrawn employer is equal to the sum of --
- (1) the unfunded accrued pension benefits that are attributable to retained participants' service with the employer, and
 - (2) the unfunded post-retirement health subsidy (if any) attributable to retained participants' service with the employer, and
- (B) The unfunded accrued pension benefits that are attributable to retained participants' service with the employer is equal to the product of --
- (1) the actuarial present value of accrued pension benefits that are attributable to retained participants' service with the employer¹, and
 - (2) the unfunded percentage described in paragraph (C).

¹ Service with an employer shall include all service credited to the employees for whom that employer was the last contributing employer prior to the date of withdrawal.

(C) The unfunded percentage determined under this paragraph equals 1 minus a fraction (that is not greater than 1) --

- (1) the numerator of which is the fair market value of pension assets for the specific NHRS fund, in total as of the withdrawal date minus the fair market value of active member account balances for the specific NHRS fund as of the withdrawal date, and
- (2) the denominator of which is the actuarial accrued pension liability of all the specific NHRS fund's participants [other than active participants]² as of the most recent actuarial valuation, projected to the withdrawal date.

(D) The unfunded post-retirement health subsidy (if any) attributable to retained participants' service with the employer is equal to the product of --

- (1) the actuarial present value of the post-retirement health subsidy that is attributable to retained participants' service with the employer, and
- (2) the unfunded percentage described in paragraph (E).

(E) The unfunded percentage determined under this paragraph equals 1 minus a fraction (that is not greater than 1) --

- (1) the numerator of which is the fair market value of [health subsidy] assets for the specific NHRS fund in total as of the withdrawal date, and
- (2) the denominator of which is the actuarial accrued post-retirement health subsidy liability of all the specific NHRS fund's participants [other than active participants]² as of the most recent valuation date, projected to the withdrawal date.

(F) No adjustment shall be made for any assets in the Special Account.

Assumptions and Methods: For purposes of RSA § 100-A:43, benefit liabilities shall be determined using reasonable actuarial assumptions. In general, the actuarial assumptions used in the actuary's annual valuation shall be presumed to be reasonable for purposes of determining the liability of an employer that withdraws during the plan year for which that valuation was prepared. NHRS may, at its discretion, add a load to the liabilities for future administrative costs or use an investment return assumption slightly less than the valuation assumption to account for future administrative cost attributable to the retained participants.

Payment of Liability: Liability assessed against a withdrawn employer under RSA § 100-A:43 shall be paid to NHRS in a lump-sum or on such other commercially-reasonable terms as may be approved by the Board of Trustees in their sole discretion.

² This policy statement assumes that no active employee liabilities will be retained by NHRS. Additional adjustments may be required if any such active employee liabilities are retained in a specific case.

This Policy was approved by the NHRS Board of Trustees on July 13, 2010.

The Attorney-Client privilege of confidentiality relating to this Policy was waived by the NHRS Board of Trustees on August 10, 2010.