

NHRS

New Hampshire Retirement System

A Component Unit Of The State Of New Hampshire

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**Comprehensive Annual
Financial Report
For The Fiscal Year Ended
June 30, 2010**

NEW HAMPSHIRE RETIREMENT SYSTEM

INTRODUCTORY SECTION

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

A Component Unit of the State of New Hampshire

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

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LETTER FROM THE CHAIR



December 9, 2010

To the Members 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, 2010. This report provides important information describing the financial condition of both the Pension Plan and the Other Post Employment Benefit (OPEB) Plans. It also contains information describing various changes that occurred during Fiscal Year 2010, some significant changes since then, and challenges that lie ahead.

Investment returns during the twelve months that ended June 30, 2010, benefited from the economic rebound that began in mid-2009, as well as the new committee structure for investment decisions, and the integration of a new Director of Investments. The economy continued to face uncertainties, however, caused by high unemployment, restricted spending by consumers and businesses, and ongoing weakness in housing markets and in the banking sector. In response, the Federal Reserve maintained interest rate targets near zero percent, and the federal government continued programs to support businesses, banks, and the public. Against this backdrop, the Retirement System's investment program produced a 12.9% return for Fiscal Year 2010 and the Retirement System's assets were \$4.9 billion at June 30, 2010, an increase of \$437 million over the previous fiscal year.

The investment returns exceeded NHRS's assumed rate of return of 8.5 %, and also exceeded its custom benchmark, which returned 11.7%. The benchmark is comprised of major market indices weighted in proportion to the Retirement System's asset allocation. The investment program's return was primarily driven by the performance of domestic equity (+15.5%), fixed income (+13.6%), and international equity (+12.2%) portfolios. The asset allocation is also a critical factor in determining returns. The Board and the Independent Investment Committee worked with their consultants and staff reviewing, and changing as appropriate, asset allocation, specific investments, and strategies and policies. Because returns on investments are an important source of funds with which the Retirement System pays future benefits, NHRS maintains a long-term investment horizon. In addition to the information on investments contained in this report, a separate report, The Comprehensive Annual Investment Report for Fiscal Year 2010, approved by the Independent Investment Committee, provides detailed information on the investment activities of NHRS.

Despite the strong investment returns in Fiscal Year 2010, the funding status of the pension fund remained about the same, but the funding status of the OPEB plans dropped significantly. Funding status is measured by comparing the net assets available to pay benefits to benefits owed now and in the future. The resulting measurement is called the funded ratio. At the close of the fiscal year, the funded ratio of the Pension Plan stood at 58.5% and the OPEB Plans at 5.6%, versus 58.3% and 26.3% in the previous year, respectively. The overall poor funding status of the Retirement System reflects both the dramatic drop in markets during the 2008 and 2009 financial and economic crises, as well as policy decisions made during past boards and past legislatures regarding actuarial methods and assumptions, employer contributions, assumed rate of return, and the diversion of investment gains to fund other benefits.

Improving the funding status of the Retirement System remains a top priority for the Board. Using the results of Fiscal Year 2010, the System's actuaries are performing an experience study which analyzes how the assumptions built into the actuarial models compare to actual experience. The Board, in consultation with its consultants and Staff, will establish any changes to these assumptions, including wage inflation, mortality tables, loading factors, and the assumed rate of return on investments. Any changes in the assumptions will be included in the FY 2011 actuarial valuation, and will be utilized in setting employer rates beginning for Fiscal Year 2014.



Dr. Lisa K. Shapiro
Chair
Board of Trustees

Changes made in the past four years, including higher employer rates designed to recoup the unfunded accrued actuarial liability over a 30-year period, have put NHRS on a path to financial health. But with significant market losses still needing to be overcome, and the need for the Board to consider lowering the assumed rate of return, which if adopted would increase contributions, additional substantial increases in employer rates are more likely than not for several more cycles.

Because the OPEB plans are essentially pay-as-you-go, they do not, for the most part, have substantial assets set aside for future funding. Revised calculations to reflect this fact significantly increased the estimates of future OPEB costs, and thus the funding ratio for the OPEB plans have dropped dramatically for FY 2010. Further, NHRS successfully settled with the IRS on the OPEB issues. That required, however, transferring \$89 million out of the Group II medical subsidy subtrust into a pension fund, thus creating an even more dramatic reduction in the funding ratio for the Group II OPEB Plan. The NHRS continues to evaluate the implications of the OPEB funding status and plan.

Fiscal Year 2010 marked the continued implementation of reforms designed to strengthen the governance and long-term stability of the Retirement System. The Independent Investment Committee, which was established effective January 1, 2009, continued to bring additional expertise to the investment process for the benefit of our members. The Committee is charged with investing in accordance with policies established by the Board and making recommendations to the Board regarding asset allocation and investment consultants. The Audit Committee develops and monitors an aggressive auditing schedule to ensure processes are improved. The Benefits Committee has tackled a number of complicated policy issues to develop recommendations to the Board for improved policies. A new Director of Investments was fully integrated into the investment process during the fiscal year, and new senior management for Member Benefits and Finance have been or are soon to be added to the management. The Board will continue to monitor organizational structure and process improvements.

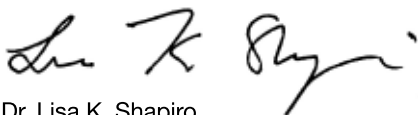
NHRS is committed to leveraging technology to provide enhanced service for our members and retirees. A big step in that direction occurred in July when "My Account" went live on www.nhrs.org. This new feature allows members and individuals in receipt of a pension to review secure, personal account information at their convenience. Further enhancements to the website are in the works. Following a detailed audit, NHRS is actively evaluating its IT infrastructure and services to ensure it can handle security, efficiency, and future growth.

The financial upheaval of recent years has put public pensions around the world under a microscope. NHRS is no exception. The Board and Retirement System Staff are committed to supporting this public debate by providing factual information concerning the operation and financing of the System, and the laws, rules, policies and procedures governing it. Although no significant legislation affecting the retirement system was approved in 2010, activities continue in the Legislature to analyze the Retirement System's benefit structure and financing, and over a dozen legislative titles addressing retirement issues have been requested for 2011. We expect an active 2011 legislative session and NHRS will provide data and analysis to the Legislature as it considers these issues.

Three new members will join the Board in the near future to replace Debra Hackett, a teacher member who stepped down in September, and both Representative Ricia McMahon and Senator Harold Janeway, who will not be returning to the Legislature. The Board is grateful for their dedicated efforts.

As NHRS works to strengthen its operations, performance, services, and financial health, I would like to thank my fellow Board members and the Retirement System Staff for their efforts during the past year. We have made progress toward implementing the necessary changes to support the long-term stability of NHRS, but significant challenges lie ahead. The Board and the Staff are committed to meeting these challenges head-on and fulfilling our fiduciary responsibility to members and their beneficiaries.

Sincerely,



Dr. Lisa K. 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 2011*

Danny H. O'Brien

*Vice Chair
Public Member
July 2009 to July 2010*

State Representative Patricia M. McMahon

*New Hampshire House of Representatives
January 2007 to January 2010*

State Senator Harold Janeway

*New Hampshire Senate
January 2007 to January 2010*

Jill C. Rockey

*Police Officer Member
October 2009 to July 2011*

Justin A. Cutting

*Firefighter Member
July 2007 to July 2011*

Charles Koontz

*Employee Member
August 2002 to July 2012*

Germano Martins

*Employee Member
March 2006 to July 2011*

Vacant

Teacher Member

Brian W. Morrissey

*Firefighter Member
February 2001 to July 2012*

Samuel J. Giarrusso

*Teacher Member
November 2003 to July 2011*

Dean Crombie

*Police Officer Member
April 2003 to July 2012*

Keith R. Hickey

*Employer Representative
September 2007 to September 2011*

Catherine Provencher

*State Treasurer
January 2007 ex officio*



Seated Left to Right: Samuel J. Giarrusso, Dr. Lisa K. Shapiro, Chair, Danny H. O'Brien, Vice Chair, and State Treasurer Catherine Provencher. Standing Left to Right: Justin A. Cutting, Brian W. Morrissey, State Senator Harold Janeway, Jill C. Rockey, Germano Martins, Dean Crombie and Charles Koontz. Absent when photo was taken: State Representative Patricia M. McMahon and Employer Representative Keith R. Hickey.

**INDEPENDENT
INVESTMENT COMMITTEE**

Independent Members

David A. Jensen
Term began January 1, 2009

Patrick O'Donnell
Term began May 6, 2009

Thomas Silvia
Term began February 4, 2009

Trustee Members

State Senator Harold Janeway
Chair

Dr. Lisa K. Shapiro



Seated Left to Right: Lawrence A. Johansen, NHRS Director of Investments, Dr. Lisa K. Shapiro, State Senator Harold Janeway, Chair, David A. Jensen. Standing Left to Right: Patrick O'Donnell, Thomas Silvia.

**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, 2009

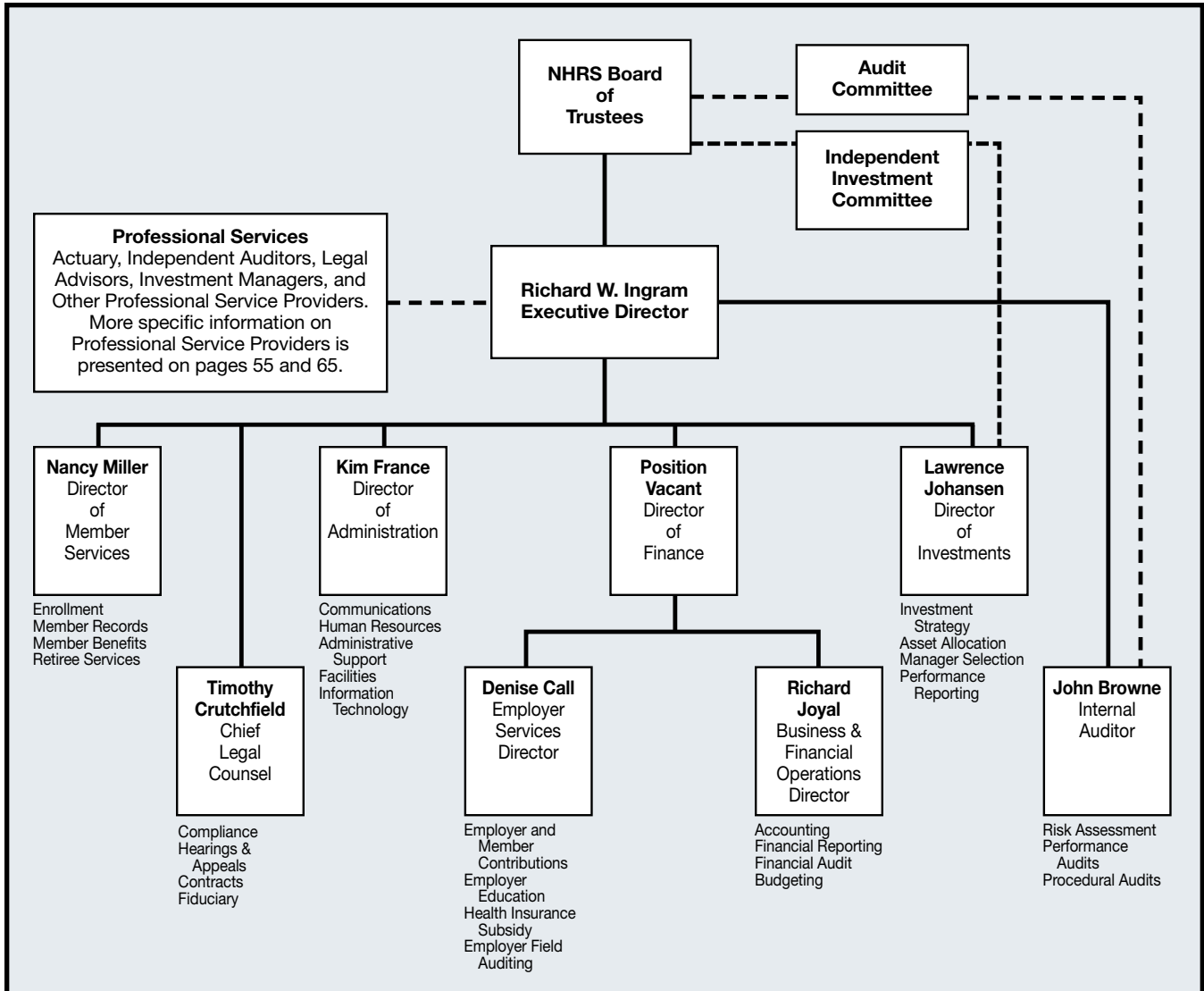
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

ADMINISTRATIVE ORGANIZATION



Seated Left to Right: John Browne, Lawrence A. Johansen, Richard W. Ingram, Cecile Merrill and Tracey Horner. Standing Left to Right: Denise Call, Timothy J. Crutchfield, Christine Stoddard, Kim France, Richard Joyal, Kristie Kathan, Heather Fritzky, Shannan Hudgins, Marty Karlon, Kathy DeNutte, Nancy Miller and Tamre McCrae.

**PROFESSIONAL MANAGERS,
ADVISORS AND
SERVICE PROVIDERS**

**DOMESTIC EQUITY
MANAGERS**

Capital Guardian Trust Company
Century Capital Management,
LLC
Dalton, Greiner, Hartman, Maher
& Co.
Institutional Capital Corporation
Investment Counselors of
Maryland
Lee Munder Capital Group
Legg Mason Capital
Management
LSV Asset Management
Netols Asset Management
Northern Trust Investments, N.A.

NON-U.S. EQUITY MANAGERS

Fisher Investments, Inc.
Northern Trust Investments, N.A.
Templeton Investment Counsel,
LLC
Thornburg Investment
Management, Inc.
Walter Scott & Partners Limited

**FIXED
INCOME MANAGERS**

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Income Research
& Management, Inc.
Loomis Sayles &
Company, L.P.
Northern Trust Investments, N.A.
Pyramis Global Advisors

**VENTURE CAPITAL
INVESTMENT MANAGERS**

APA Excelsior IV & V, L.P.
APAX Excelsior VI
Castle Harlan Partners III, L.P.
Castle Harlan Australian
Mezzanine Partners, L.P.
Coral Partners IV, L.P.
Euclid SR Partner, L.P.
Lexington Capital Partner VII
MatlinPatterson Global
Opportunities Partners II, L.P.
RFE Investment Partners
VI, L.P.
Richland Ventures II, 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
INVESTMENT MANAGERS**

Arden Capital
Management, LLC

LEGAL ADVISORS

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

INDEPENDENT AUDITORS

KPMG LLP

INVESTMENT ADVISOR

NEPC, LLC

ACTUARIAL CONSULTANT

Gabriel, Roeder, Smith &
Company

REAL ESTATE MANAGERS

Hart Advisers, Inc.
LaSalle Investment Management
The Townsend Group

CUSTODIANS

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

**CORPORATE GOVERNANCE
SERVICES**

RiskMetrics Group

LETTER OF TRANSMITTAL



Transmittal Letter

December 9, 2010

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, 2010. 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 of 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, 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 2010 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 14-member board of trustees, which includes one State Senator, one State Representative, the State Treasurer as an ex-officio member, two employee members, two teacher members, two firefighter members, two police officer members, two public non-members, and one employer representative. The Board of Trustees sets the investment policy, formulates administrative policies, authorizes benefit payments to members and their beneficiaries, and manages the trust funds. Administrative functions are directed by the Executive Director and are carried out by the administrative staff.

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

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's established capital asset policy.

The management of 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.



*Richard W. Ingram
Executive Director*

FINANCIAL PERFORMANCE

For the fiscal year ended June 30, 2010, Plan Net Assets increased \$437.1 million to \$4,898.3 million compared to a \$1,135.8 million net asset decrease for the prior year. Recoveries in financial markets around the world following the previous year’s cataclysmic losses helped fuel this performance. However economic uncertainties continue and the system still has significant financial challenges ahead of it. A detailed discussion of investment performance, the sources of additions, deductions, and results of operations is covered in the Management’s Discussion and Analysis beginning on page 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 Plan’s 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 both the 2009 and 2008 legislative sessions aimed at improving the funded ratios of the Plans.

The Pension Plan funded ratio at June 30, 2010, based on the June 30, 2010, interim actuarial valuation was 58.5%. The comparable funded ratio at June 30, 2009, based on the June 30, 2009, actuarial valuation was 58.3%. The funded ratio remained largely unchanged from the prior year largely due to the impact of smoothing investment results over five years. While this practice helps mute volatility in the rates the system charges employers year to year, it also means that the full effect of recent investment losses will not be fully recognized for several more years.

The funded ratios of the four OPEB Plans as of June 30, 2010, and June 30, 2009, are as follows:

	June 30 2010	June 30 2009
Group II Police Officers and Firefighters OPEB Plan	3.7%	44.1%
Group I Teachers OPEB Plan	2.0%	8.3%
Group I Political Subdivision Employees OPEB Plan	33.8%	59.0%
Group I State Employees OPEB Plan	0.0%	0.0%

A comprehensive analysis of funding progress for the Plans is provided in the Required Supplementary Information beginning on page 48.

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 Committees 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, 2010, were 12.9%, -4.1%, 2.4%, 2.3%, and 7.8%, respectively. A discussion about comparative annualized returns, and related benchmark indices, for fiscal years 2010 and 2009 is presented in the Management’s Discussion and Analysis beginning on page 19.

MAJOR INITIATIVES

NHRS faces many challenges in responding to a growing number of members becoming eligible for retirement. Our focus has included streamlining business processes, revising and improving workflow, strengthening internal controls, and building a solid foundation on which to improve services to our members. Some of the major initiatives accomplished during fiscal year 2010 were:

- Implemented online access to personal account information for members and retirees through the “MyAccount” tool that is now available on the NHRS website
- Began a thorough review of investment managers that continues in fiscal 2011 and which resulted in the replacement of seven investment management firms, the hiring of an S&P 500 index asset management firm, and the hiring of four active small cap asset management firms.

- Consolidated recordkeeping for all investment assets into a common book of record with the system's master custodian, Northern Trust. This means that all marketable securities, as well as alternative investments such as real estate and private equity, have their records kept in one location, improving transparent reporting.
- Conducted a Request for Proposals for legal services that resulted in NHRS selecting several law firms to provide counsel in their various areas of expertise.
- Conducted an asset liability modeling study that resulted in revisions to the investment strategy and the adoption of revised asset allocation targets and ranges by the Board of Trustees.
- Managed and reduced risk by substantially reducing exposure to securities lending in the investment program and initiating a complete exit from commingled funds that participate in securities lending.
- Adopted an investment plan for the real estate portfolio. The focus of this plan is to further diversify the real estate holdings efficiently across geographic regions, property types and vintage years. NHRS will opportunistically transition from direct real estate holdings into a diversified real estate fund structure.
- Embarked on an extensive organizational review, leading to improved organization structure, and establishing mission, vision, and goals for the NHRS.
- Continued to strengthen board committees and governance.
- Named new Directors of Investments, Member Services, and Administration.

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 2010, 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 2005 by NHRS's former actuary, Buck Consultants LLC. The next actuarial experience study is scheduled to be conducted soon after publishing this report and will be 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, 2009, by the NHRS's current actuary, Gabriel, Roeder, Smith and Company. The June 30, 2009, actuarial valuation was used to determine employer contribution rates for fiscal years 2012 and 2013. An interim valuation as of June 30, 2010, has been completed for the purpose of determining the actuarial information included in this report and to inform policy making bodies during the coming year. 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

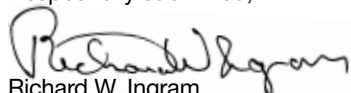
The NHRS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest 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 2009 award is presented on page 10.

ACKNOWLEDGMENTS

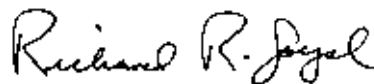
The compilation of this report reflects the combined efforts of the administrative staff under the direction of the Board of Trustees. It is intended to provide extensive and reliable information as a basis for making management decisions, determining compliance with legal provisions, and for determining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



Richard W. Ingram
Executive Director



Richard R. Joyal
Business & Financial Operations Director

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NEW HAMPSHIRE RETIREMENT SYSTEM

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT



KPMG LLP
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, 2010, 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 2009 financial statements and, in our report dated December 10, 2009, 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, 2010, 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 9, 2010 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 48 and 49 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.

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

Boston Office
Celebrate
10 years
1910-



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 9, 2010

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, 2010 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, 2010 with summarized comparable totals for fiscal year 2009. The excess of assets over liabilities is reported as "Net Assets Held in Trust for Benefits."

FINANCIAL HIGHLIGHTS

Net assets increased by \$437.1 million (9.8%) from the prior year's net asset balance reflecting an improving global economy resulting in significant improvement in the investment environment.

Net investment income during fiscal year 2010 was \$568.3 million, a \$1,563.5 million (157.1%) increase over the prior fiscal year. The net investment income for fiscal year 2010 reflects a time-weighted return for the total fund during the year of 12.9% compared to a time-weighted investment return of -18.1% for the fiscal year ended June 30, 2009.

The total contributions received during the fiscal year were \$451.7 million. For fiscal year 2009, total contributions received were \$404.0 million.

Employer contributions for fiscal year 2010 increased to \$302.2 million (15.6%) compared with employer contributions in fiscal year 2009 of \$261.5 million. The increase in employer contributions in fiscal year 2010 was primarily due to higher employer contribution rates.

Member contributions were \$149.5 million in fiscal year 2010, an increase of 4.9% over fiscal year 2009 member contributions of \$142.5 million. Member contribution rates remained the same for fiscal year 2010 for all groups with the exception of state employees hired on or after July 1, 2009, this group contributed 7% of gross wages and aggregate compensation was higher. Overall member normal contributions increased by 4.7% over the prior fiscal year. Voluntary member contributions increased by \$0.7 million (7.5%) over fiscal year 2009.

Benefits paid during fiscal year 2010 were \$550.0 million, an increase of 7.8% over the benefits paid in fiscal year 2009 of \$510.0 million. The increase in benefits paid in fiscal year 2010 is primarily due to an increase in the number of retirees, increased average benefit levels for those new retirees and temporary supplemental allowances granted to retirees through legislative action.

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, 2010 and June 30, 2009.

Condensed Comparative Plan Net Assets — Combined Plans

(Dollar Values Expressed in Millions)

	As Of June 30, 2010	As Of June 30, 2009	Amount Increase (Decrease)	Percentage Increase (Decrease)
Cash	\$ 7.9	\$ 12.1	(\$ 4.2)	(34.7%)
Receivables	156.0	156.2	(0.2)	(0.1%)
Investments	4,840.7	4,400.3	440.4	10.0%
Cash Collateral on Securities Lending	471.1	301.1	170.0	56.5%
Other Assets	0.6	2.0	(1.4)	(70.0%)
Total Assets	\$5,476.3	\$4,871.7	\$604.6	12.4%
Cash Collateral on Securities Lending	471.1	301.1	170.0	56.5%
Other Liabilities	106.9	109.4	(2.5)	(2.3%)
Total Liabilities	\$ 578.0	\$ 410.5	\$167.5	40.8%
Net Assets Held in Trust for Benefits	\$4,898.3	\$4,461.2	\$437.1	9.8%

Total assets increased by \$604.6 million (12.4%) in fiscal year 2010. Cash on hand at fiscal year end 2010 was \$7.9 million (-34.7%) lower than at fiscal year end 2009 reflecting some draw downs of liquidity reserves to meet operating obligations. Receivables decreased by \$0.2 million (-0.1%) over the prior fiscal year. Most receivable categories increased over fiscal year 2009 but those increases were offset by the write off of a \$17.5 million receivable due the Group I Political Subdivision Employee OPEB Plan as more fully described below and in Note 9 to the financial statements. Investments increased by \$440.4 million (10.0%) in fiscal year 2010. The increase in investments is directly attributable to an improving global economy leading to significant improvement in the investment environment. Cash collateral on security lending increased \$170.0 million (56.5%) in fiscal year 2010 compared to fiscal year 2009 as securities on loan increased significantly over the prior fiscal year. Other assets decreased by \$1.4 million (-70.0%) for fiscal year 2010 primarily reflecting the completion of depreciation on the capitalized cost of a pension administration system.

Total liabilities increased by \$167.5 million (40.8%) at the end of fiscal year 2010. Security lending cash collateral was higher by \$170.0 million (56.5%) over the prior fiscal year. The reason for the increase is discussed in the preceding paragraph. Other liabilities decreased by \$2.5 million (-2.3%) over fiscal year 2009.

Condensed Comparative Changes in Plan Net Assets — Combined Plans

(Dollar Values Expressed in Millions)

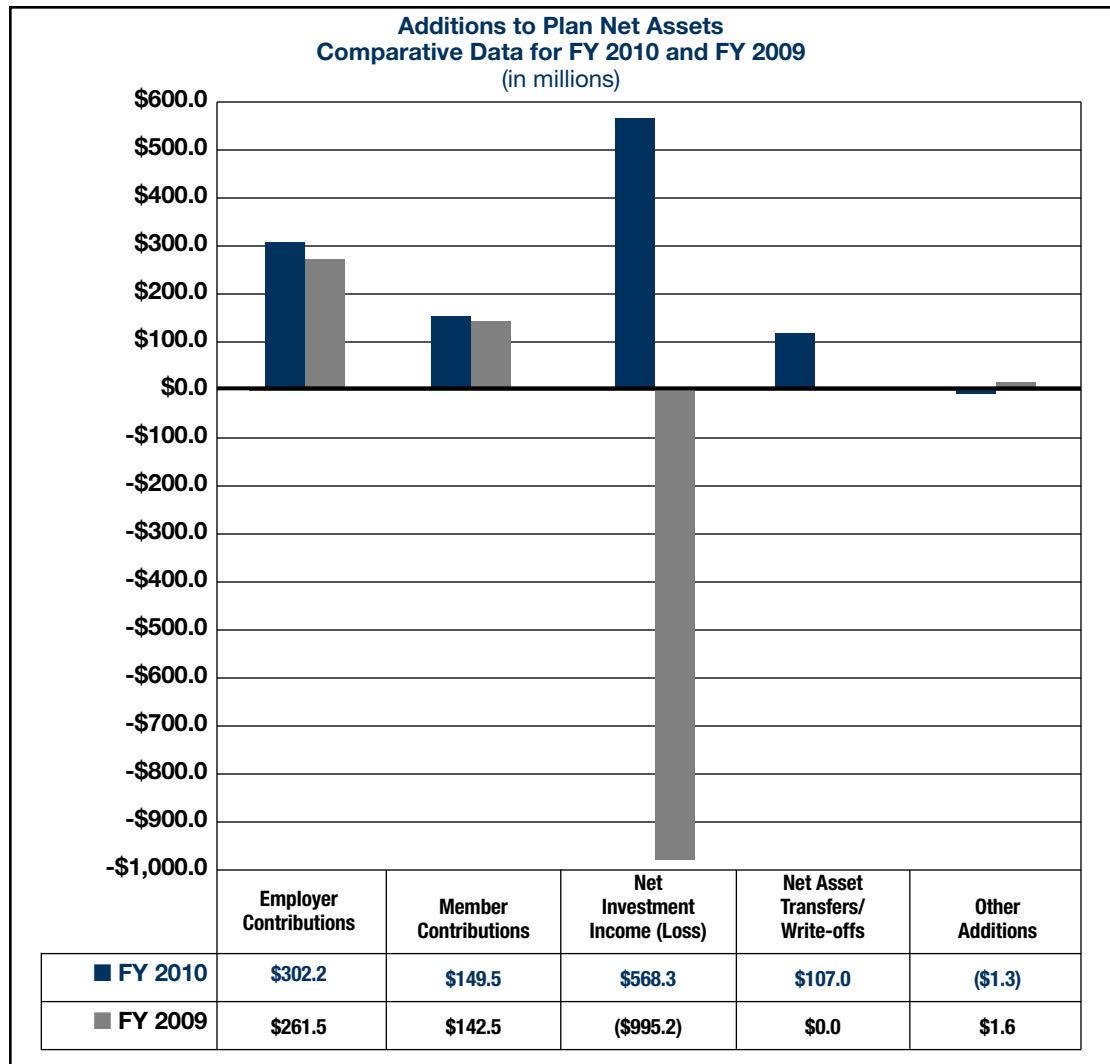
	Year Ended June 30, 2010	Year Ended June 30, 2009	Amount Increase (Decrease)	Percentage Increase (Decrease)
ADDITIONS:				
Employer Contributions	\$ 302.2	\$ 261.5	\$ 40.7	15.6%
Member Contributions	149.5	142.5	7.0	4.9%
Net Investment Income (Loss)	568.3	(995.2)	1,563.5	157.1%
Net Asset Transfers/Write-offs	107.0	—	107.0	100.0%
Other Income	(1.3)	1.6	(2.9)	(181.3%)
Total Additions to Plan Net Assets	\$1,125.7	(\$ 589.6)	\$1,715.3	290.9%
DEDUCTIONS:				
Benefits Paid	\$ 550.0	\$ 510.0	\$ 40.0	7.8%
Refunds of Contributions	21.9	24.2	(2.3)	(9.5%)
Net Asset Transfers	107.0	—	107.0	100.0%
Administrative Expense	6.6	7.2	(0.6)	(8.3%)
Other Deductions	3.1	4.8	(1.7)	(35.4%)
Total Deductions from Plan Net Assets	\$ 688.6	\$ 546.2	\$ 142.4	26.1%
Total Changes in Plan Net Assets	\$ 437.1	(\$1,135.8)	\$1,572.9	138.5%

ADDITIONS TO PLAN NET ASSETS

For fiscal year 2010, the combined total of employer and member contributions increased by \$47.7 million (11.8%). Employer contributions increased from \$261.5 million in fiscal year 2009 to \$302.2 million (15.6%) in fiscal year 2010. The increase in employer contributions is primarily due to increases in employer contribution rates. Member contributions for fiscal year 2010 were \$149.5 million, an increase of \$7.0 million (4.9%) from fiscal year 2009. Member normal contributions increased \$6.3 million (4.7%) in fiscal year 2010 and voluntary member contributions increased by \$0.7 million (7.5%).

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 2010 of \$568.3 million compared with a net investment loss in fiscal year 2009 of \$995.2 million. The net change from year-to-year was \$1,563.5 million, a significant increase from fiscal year 2009 of 157.1%. The change reflects significant improvement in the global economy over last year's recession and economic crisis.

There were net asset transfers of \$107.0 million in fiscal year 2010 compared with no net asset transfers in fiscal year 2009. The net asset transfers reflect an \$89.5 million transfer of Police & Firefighter OPEB Plan assets to Special Account assets to address a necessary correction under the NHRS's Voluntary Compliance Program (VCP) filing with the Internal Revenue Service. Please see note 9 to the financial statements for additional information on this transfer. There was an additional write-off of \$17.5 million between the State Employee OPEB Plan and the Political Subdivision Employee OPEB Plan eliminating the State Employee OPEB Plan deficit balance in accordance with legislation enacted in the 2009 legislative session. Further information on this net asset transfer may also be found in note 9 to the financial statements.

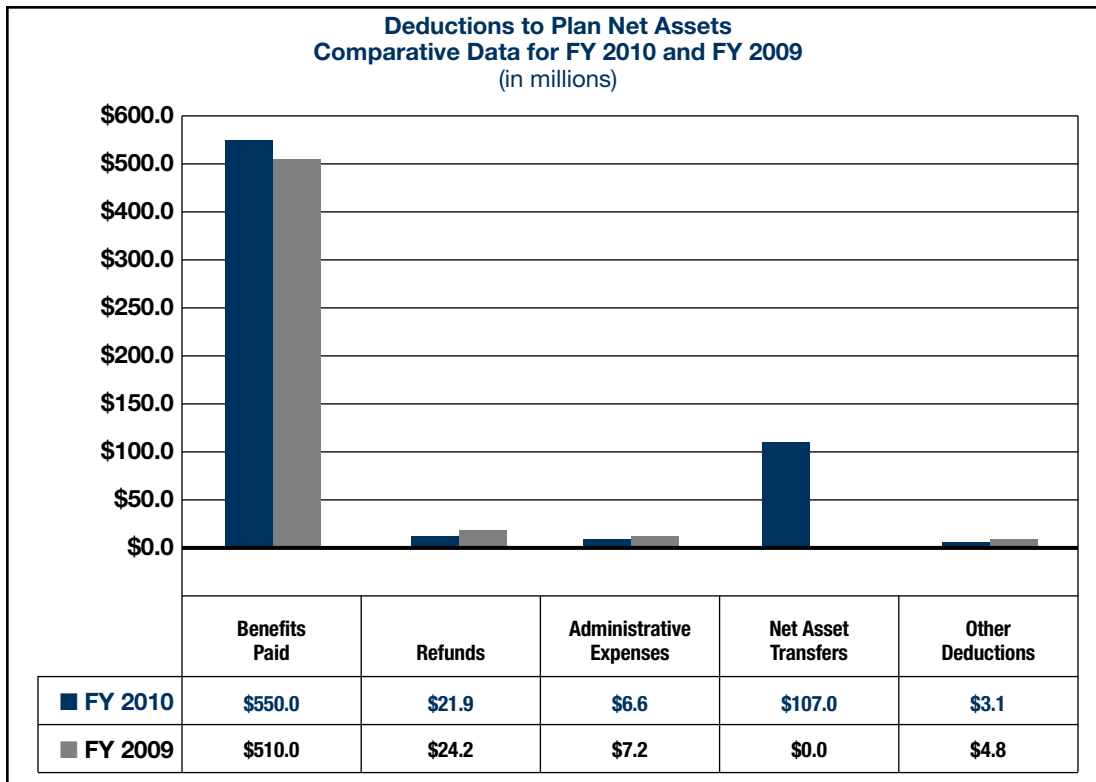


DEDUCTIONS TO PLAN NET ASSETS

Total benefits paid in fiscal year 2010 were \$550.0 million, an increase of \$40.0 million (7.8%) over the fiscal year 2009 level of \$510.0 million. Pension benefits paid in fiscal year 2010 were \$490.1 million, an increase of \$37.7 million (8.3%) compared with the pension benefits paid in fiscal year 2009 of \$452.4 million. The increase in pension benefits paid in fiscal year 2010 is primarily due to an increase in the number of retirees, increased average benefit levels for those new retirees and temporary supplemental allowances granted to retirees through legislative action. OPEB benefits paid in fiscal year 2010 were \$59.9 million, an increase of \$2.3 million (4.0%) over the \$57.6 million paid in fiscal year 2009. The increase in OPEB benefits paid is due to an increased number of retirees receiving the OPEB benefits. Refunds of contributions were \$21.9 million, a decrease of \$2.3 million (-9.5%) over the 2009 level of \$24.2 million. The decrease reflects a reduction in the number and dollar value of refund requests from terminated members in 2010.

Administrative expenses decreased by \$0.6 million (-8.3%) in fiscal year 2010 to a level of \$6.6 million compared with \$7.2 million in 2009. Administrative expenses decreased primarily due to reductions in information technology expenditures as a major project to digitally image all member records was completed in fiscal year 2009.

A brief discussion on the \$107.0 million of net asset transfers can be found on page 20 under the Additions to Plan Net Assets section and detailed information can be found under Note 9 to the financial statements.



PLAN FUNDING STATUS

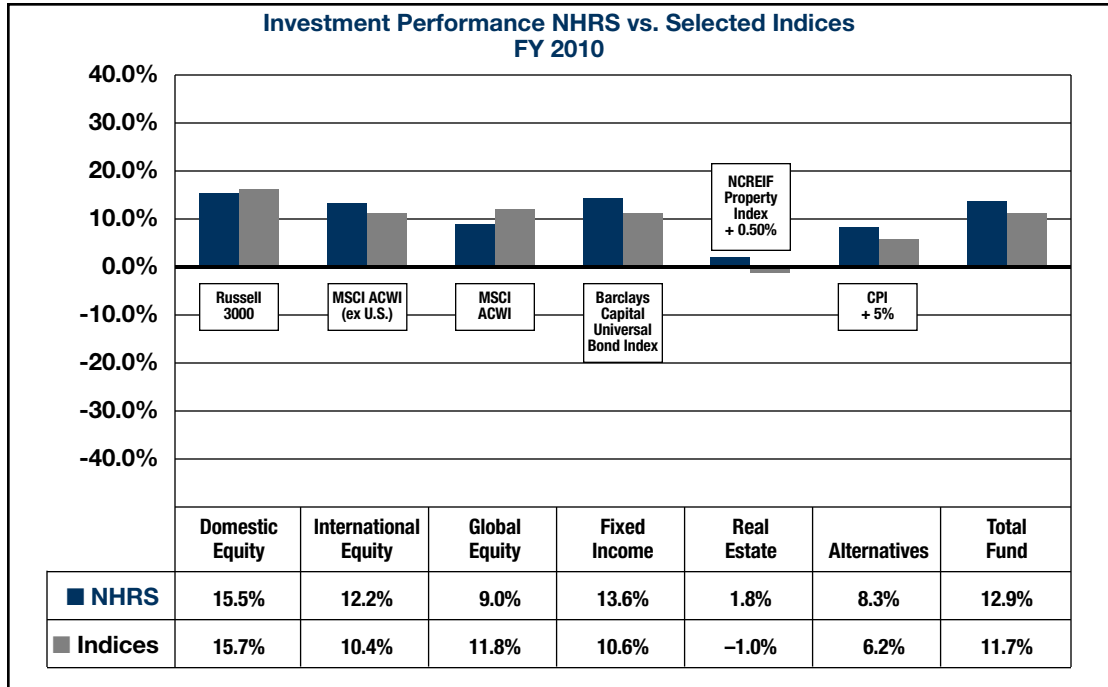
Funded ratios are a useful measurement that can be used in conjunction with many other factors to assess the financial soundness of a pension plan or OPEB plan. A plan’s funded ratio is calculated by dividing its actuarial value of assets at year end (5 year smoothing of fair values) by its actuarial 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 2010 and 2009.

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% at June 30, 2010. For fiscal year 2009, the Pension Plan actuarial accrued liability at June 30, 2009, based on the June 30, 2009 actuarial valuation, was \$8,475.0 million. The actuarial value of assets available to pay pension benefits at June 30, 2009 was \$4,937.3 million resulting in an unfunded actuarial accrued liability of \$3,537.7 million and a funded ratio of 58.3%.

The combined 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 postemployment medical 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% at June 30, 2010. For fiscal year 2009, the OPEB Plans actuarial accrued liability at June 30, 2009, based on the June 30, 2009 actuarial valuation, was \$673.4 million. The actuarial value of assets available to pay OPEB benefits at June 30, 2009 was \$176.8 million resulting in an unfunded actuarial accrued liability of \$496.6 million and a funded ratio of 26.3%. The combined OPEB Plan’s funding ratio declined significantly in fiscal year 2010 due to a \$89.5 million transfer of assets out of the Police and Firefighter OPEB Plans to the Special Account. See Note 9 to the financial statements for detailed information on the transfer.

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.



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

Equity (61.8%), fixed income investments (28.9%), and cash equivalents (2.3%) comprise approximately 93.0% of invested assets at June 30, 2010. The remaining 7.0% of assets are invested in real estate (5.1%) and alternative investments (1.9%), 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 Plan’s portfolio returns for equity and fixed income investments against widely-accepted market indices. For the fiscal year ended June 30, 2010, the Plan’s total fund return was 12.9% compared to -18.1% for the fiscal year ended June 30, 2009. The total NHRS fund performance of 12.9% for fiscal year 2010 exceeded the total fund custom index (a blended composition of major market indices in proportion to the NHRS’ asset allocation), which returned 11.7%, by 120 basis points.

The NHRS portfolio provided strong returns in fiscal year 2010. The domestic equity portfolio was the primary contributor to performance with a 15.5% return for fiscal year 2010, despite lagging the benchmark return of 15.7% by 20 basis points on a relative basis. Fixed income investments returned 13.6% and outperformed the Barclays Capital Universal Bond Index benchmark return of 10.6% by 300 basis points. International equity investments generated a return of 12.2%, exceeding the MSCI ACWI (ex U.S.) benchmark return of 10.4% by 180 basis points. Global equity investments provided a 9.0% return but underperformed the MSCI ACWI benchmark by 280 basis points. The real estate portfolio gained 1.8% for fiscal year 2010 and outperformed the NCREIF Property Index + 0.50% benchmark, which was down 1.0%. The alternative investment asset class provided a 8.3% return for the fiscal year.

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, 2010. Please contact the NHRS office at 603.410.3500 for additional financial information or for questions related to this report. Additional information can also be obtained from the NHRS website at www.nhrs.org.

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BASIC FINANCIAL STATEMENTS

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

AS OF JUNE 30, 2010 (with summarized financial information as of June 30, 2009)

	PENSION PLAN 2010	GROUP II POLICE OFFICER & FIREFIGHTER OPEB PLAN 2010
ASSETS:		
Cash	\$ 7,848	\$ 24
Receivables:		
Due from Employers	27,201	—
Due from State	7,760	—
Due from Plan Members	16,500	—
Due from Group I State Employees OPEB Plan (NOTE 9)	—	—
Due from Brokers for Securities Sold	87,129	261
Interest and Dividends	13,441	40
Other	2,891	9
Total Receivables	154,922	310
INVESTMENTS AT FAIR VALUE		
Cash and Cash Equivalents:	109,756	329
Equity Investments:		
Domestic	2,115,514	6,344
Non-U.S.	845,108	2,535
Fixed Income Investments:		
Domestic	1,174,680	3,523
Non-U.S.	210,028	630
Real Estate	242,288	727
Alternative Investments	92,862	279
TOTAL INVESTMENTS	4,790,236	14,367
Cash Collateral on Security Lending	466,159	1,398
Other Assets	651	2
TOTAL ASSETS	5,419,816	16,101
LIABILITIES:		
Cash Collateral on Securities Lending	466,159	1,398
Management Fees and Other Payables	6,087	18
Security Lending Payable	—	—
Due to Group I Political Subdivision OPEB Plan (NOTE 9)	—	—
Due to Brokers for Securities Purchased	99,718	299
TOTAL LIABILITIES	571,964	1,715
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER POST EMPLOYMENT BENEFITS (OPEB)	\$4,847,852	\$14,386

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

(in thousands)				
GROUP I TEACHERS OPEB PLAN 2010	GROUP I POLITICAL SUBDIVISION OPEB PLAN 2010	GROUP I STATE EMPLOYEES OPEB PLAN 2010	TOTAL 2010	TOTAL 2009
\$ 11	\$ 49	\$ —	\$ 7,932	\$ 12,089
—	—	—	27,201	22,158
—	—	—	7,760	7,565
—	—	—	16,500	16,144
—	—	—	—	17,710
117	539	—	88,046	77,214
18	83	—	13,582	11,945
4	18	—	2,922	3,456
139	640	—	156,011	156,192
147	679	—	110,911	115,285
2,835	13,087	—	2,137,780	1,776,984
1,133	5,228	—	854,004	793,264
1,575	7,266	—	1,187,044	1,182,697
282	1,299	—	212,239	155,508
325	1,499	—	244,839	273,559
125	574	—	93,840	103,028
6,422	29,632	—	4,840,657	4,400,325
625	2,884	—	471,066	301,064
1	4	—	658	1,957
7,198	33,209	—	5,476,324	4,871,627
625	2,884	—	471,066	301,064
8	38	—	6,151	6,643
—	—	—	—	5,540
—	—	—	—	17,710
134	617	—	100,768	79,459
767	3,539	—	577,985	410,416
\$ 6,431	\$29,670	—	\$4,898,339	\$4,461,211

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

FOR THE YEAR ENDED JUNE 30, 2010 (with summarized financial information for the year ended June 30, 2009)

	PENSION PLAN 2010	GROUP II POLICE OFFICER & FIREFIGHTER OPEB PLAN 2010
ADDITIONS:		
Contributions (NOTE 6):		
Employers	\$ 224,135	\$ 6,217
State Contributions on Behalf of Local Employers	45,542	1,926
Total Employer Contributions	269,677	8,143
Plan Members	149,512	—
Total Contributions	419,189	8,143
Investment Income (Loss)		
From Investment Activities:		
Net Appreciation (Depreciation) in Fair Value of Investments	458,580	10,803
Interest	51,808	1,221
Dividends	31,403	740
Net Real Estate Income	17,047	402
Alternative Investment Income (Loss)	4,404	104
Total Income (Loss) from Investment Activities	563,242	13,270
Less: Investment Expenses:		
Investment Management Fees	16,954	399
Custodial Fees	430	10
Investment Advisor Fees	739	17
Total Investment Activity Expenses	18,123	426
Total Net Income (Loss) from Investment Activities	545,119	12,844
From Securities Lending Activities (NOTE 3):		
Securities Lending Income	1,244	29
Less: Securities Lending Borrower (Premiums)/Rebates	(440)	(10)
Less: Securities Lending Management Fees	311	7
Net Income from Securities Lending Activities	1,373	32
Total Net Investment Income (Loss)	546,492	12,876
Net Asset Transfers (NOTE 9)	89,505	—
Other	(1,292)	(30)
TOTAL ADDITIONS	1,053,894	20,989
DEDUCTIONS:		
Benefits Paid	490,075	15,916
Refunds of Contributions	21,851	—
Net Asset Transfers/Write-offs (NOTE 9)	—	89,505
Administrative Expense (NOTE 7)	6,391	151
Professional Fees	1,205	28
Other	1,776	42
TOTAL DEDUCTIONS	521,298	105,642
CHANGE IN NET ASSETS	\$ 532,596	(\$ 84,653)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)		
Beginning of the Year	\$4,315,256	\$ 99,039
End of the Year	\$4,847,852	\$ 14,386

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

(in thousands)				
GROUP I TEACHERS OPEB PLAN 2010	GROUP I POLITICAL SUBDIVISION OPEB PLAN 2010	GROUP I STATE EMPLOYEES OPEB PLAN 2010	TOTAL 2010	TOTAL 2009
\$ 9,560	\$ 404	\$10,399	\$250,715	\$ 210,488
4,054	—	—	51,522	50,962
13,614	404	10,399	302,237	261,450
—	—	—	149,512	142,528
13,614	404	10,399	451,749	403,978
2,237	5,237	—	476,857	(1,088,392)
252	591	—	53,872	56,323
153	358	—	32,654	36,111
83	195	—	17,727	23,036
21	50	—	4,579	(8,722)
2,746	6,431	—	585,689	(981,644)
83	194	—	17,630	14,877
2	5	—	447	679
4	8	—	768	1,121
89	207	—	18,845	16,677
2,657	6,224	—	566,844	(998,321)
5	14	—	1,292	6,857
(2)	(5)	—	(457)	3,120
2	4	—	324	652
5	15	—	1,425	3,085
2,662	6,239	—	568,269	(995,236)
—	—	17,482	106,987	—
(6)	(15)	—	(1,343)	1,661
16,270	6,628	27,881	1,125,662	(589,597)
26,779	7,009	10,171	549,950	509,979
—	—	—	21,851	24,204
—	17,482	—	106,987	—
31	73	—	6,646	7,208
6	14	—	1,253	1,419
9	20	—	1,847	3,429
26,825	24,598	10,171	688,534	546,239
(\$10,555)	(\$17,970)	\$17,710	\$437,128	(\$1,135,836)
\$16,986	\$47,640	(\$17,710)	\$4,461,211	\$5,597,047
\$ 6,431	\$29,670	—	\$4,898,339	\$4,461,211

NOTES TO THE FINANCIAL STATEMENTS

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, 2010, 2009, and 2008, NHRS made its required employer contributions of \$324, \$302, and \$235 thousand, respectively, to the Plans for its employees. NHRS employees contributed \$180, \$173, and \$134 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/.

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, 2010 and 2009 are presented below.

EMPLOYERS CONTRIBUTING	2010	2009
State Government	5	5
City Governments	13	13
Town Governments and Related Entities	244	243
County Governments and Related Entities	12	12
School Districts and School Administrative Units	205	202
Total Employers	479	475

As of June 30, 2010 and 2009, membership data related to the Pension Plan was as follows:

MEMBERSHIP DATA	2010	2009
Retirees and beneficiaries currently receiving benefits	25,845	24,501
Terminated employees entitled to benefits but not yet receiving them	1,515	1,391
Active plan participants	50,467	51,032
Inactive plan participants	5,677	5,353
Total Membership	83,504	82,277

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

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

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

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

Members are required to contribute a percentage of gross earnings to the Pension Plan as more fully described in Note 6. The percentage rates, established by state statute, are dependent upon member group classification. The deductions are made from member wages and are remitted by the employer to the Pension Plan on a monthly basis. If a member leaves employment prior to retirement or vesting, accumulated member contributions plus earned interest are refunded to the withdrawing member or to the designated beneficiary in the case of death. However, accumulated contributions plus interest of a non-vested, non-contributing member may remain in the Pension Plan and 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 70.

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
Total OPEB Membership	10,592	1,882	6,766	1,634	310

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

Membership of each OPEB plan consisted of the following eligible retirees receiving benefits as of June 30, 2009.

Plan	Number Of Retirees	1 Person Plan		2 Person Plan	
		Pre 65	Post 65	Pre 65	Post 65
Group II Police Officer & Firefighters	2,461	553	1,039	846	23
Group I Teachers	4,179	1,131	2,428	449	171
Group I Political Subdivision Employees	1,301	258	922	103	18
Group I State Employees	2,268	243	1,767	185	73
Total OPEB Membership	10,209	2,185	6,156	1,583	285

The number of contributing employers for each of the OPEB plans at June 30, 2009 is:

Group II Police Officer & Firefighters	203
Group I Teachers	191
Group I Political Subdivision Employees	412
Group I State Employees	5

The maximum monthly subsidy amounts paid during fiscal year 2010 and 2009 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 will be no increase in the monthly maximum subsidy on July 1, 2008, 2009, 2010, and 2011. A 4.0% annual increase will resume beginning on July 1, 2012 and each July 1st thereafter.

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 non-U.S. securities are expressed in U.S. dollars. NHRS uses the trade date basis for accounting of 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, as well as the fair value of the related assumable mortgage notes payable are considered in determining the fair value of these investments. NHRS has adopted a cyclical approach for external appraisals. Properties are selected for external appraisals based on the advice of NHRS' discretionary real estate manager. Investment manager fair value estimates are used during the interim years. Due to volatile market conditions and low transaction volumes during the fiscal year, 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 recently. Properties held for sale are reported net of disposition costs. The June 30, 2010 values for real estate investments recorded in this report were obtained from financial statements provided by the general partners of commingled funds and from the appraisals for the direct property managers. The financial statements for direct properties have historically been audited at calendar year-end but will now be audited as of June 30th. The financial statements for commingled funds are typically audited at calendar year-end. 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, 2010 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 funds managed by NHRS' master custodian. These funds invest mainly in high-grade money market instruments with maturity averaging less than three months. These funds provide daily liquidity and allow the Independent Investment Committee to reinvest these funds in other asset classes.

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

The System adopted Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, in fiscal 2010. Because the System's directly held derivatives were already carried at fair value, the adoption did not affect the System's financial statements.

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 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 maintains 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 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, 2010 and June 30, 2009, NHRS held deposits of \$7,932 and \$12,089 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, 2010 and June 30, 2009.

(in thousands)

	June 30 2010	June 30 2009
Insured	\$ 250	\$ 250
Uninsured and uncollateralized	\$7,682	\$11,839
Total Deposits	\$7,932	\$12,089

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 the Pyramis Core Plus Commingled Pool which is held in custody at Mellon Bank. The following tables quantify NHRS's exposure to custodial credit risk on its investments at June 30, 2010 and 2009:

(in thousands)

	June 30 2010	June 30 2009
Deposits: Exposed to Custodial Credit Risk	\$ 289	\$ 1,312
Investment Securities: Exposure to Custodial Credit Risk Not Determined	40,687	482,784
Investment Securities: Not Exposed to Custodial Credit Risk	4,788,560	4,014,640
Totals	\$4,829,536	\$4,498,736

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. By extension, the total portfolio is the sum of its component parts, so the concentration in a single issuer will be 10% or less, in aggregate. Certain securities may be excluded from this limitation due to the nature of the investments (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 goal is to maintain a broadly diversified investment portfolio and to limit investments on a total portfolio level to a concentration less than 10% in any single issuer.

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 below 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 individual fixed income manager in order to manage interest rate risk. 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, 2010 and 2009.

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

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
Totals	\$1,410,372	100.0%		5.1

EFFECTIVE DURATION — FIXED INCOME INVESTMENTS (dollars in thousands)
AT JUNE 30, 2009

Investment Type	Investment Maturities (In Years)			
	Fair Value June 30, 2009	Percentage of Fixed Income Investments	Effective Duration in Years	Weighted Average Effective Duration in Years
Collateralized/Asset Backed Obligations	\$ 85,560	6.7%	4.3	0.3
Corporate Bonds	289,688	22.7%	7.7	1.7
Government and Agency Bonds	404,442	31.6%	5.7	1.7
NTGI Collective Daily Aggregate Bond Index Fund	230,577	18.0%	4.3	0.7
Pyramis Core Plus Commingled Pool	268,273	21.0%	3.9	0.8
Totals	\$1,278,540	100.0%		5.2

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 are used 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, 2010 and 2009, including the distribution of those investments by Standard & Poor's quality credit ratings.

**CREDIT QUALITY RISK — FIXED INCOME SECURITIES
AT JUNE 30, 2010**

(in thousands)

Investment Type	Fair Value June 30, 2010	Quality Ratings				
		AAA ¹	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 ¹	315,145	229,481	11,109	38,446	10,947	25,162
NTGI Daily Aggregate Bond						
Index Fund ²	133,955	—	133,955	—	—	—
Pyramis Core Plus Commingled						
Pool ²	435,538	—	—	435,538	—	—
Totals	\$1,399,283	\$306,611	\$214,766	\$616,421	\$211,515	\$49,970
Percent of Total Fair Value		21.9%	15.3%	44.1%	15.1%	3.6%

¹U.S. government securities and securities explicitly guaranteed by the U.S. government are included in AAA.²Average credit quality ratings for commingled funds provided by Northern Trust Global Investments and Pyramis Global Advisors.**CREDIT QUALITY RISK — FIXED INCOME SECURITIES
AT JUNE 30, 2009**

(in thousands)

Investment Type	Fair Value June 30, 2009	Quality Ratings				
		AAA ¹	AA	A	BBB or Lower	Unrated
Collateralized/Asset Backed						
Obligations	\$ 139,035	\$ 97,030	—	\$ 4,740	\$ 24,251	\$13,014
Corporate Bonds	289,856	6,038	60,232	104,757	114,198	4,631
Government and Agency						
Bonds ¹	410,465	335,534	10,377	28,061	13,526	22,967
NTGI Daily Aggregate Bond						
Index Fund ²	230,577	—	230,577	—	—	—
Pyramis Core Plus Commingled						
Pool ²	268,273	—	—	268,273	—	—
Totals	\$1,338,206	\$438,602	\$301,186	\$405,831	\$151,975	\$40,612
Percent of Total Fair Value		32.8%	22.5%	30.3%	11.4%	3.0%

¹U.S. government securities and securities explicitly guaranteed by the U.S. government are included in AAA.²Average 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, 2010, non-U.S. fixed income securities represent 4.4% 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, 2010 and 2009 is presented on the following schedules.

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

Currency	Equity	Fixed Income	Alternative Investments	Cash and Cash Equivalents	Totals
Marketable Investments:					
Argentine peso	\$ —	\$ —	—	\$ 9	\$ 9
Australian dollar	21,756	27,703	6,083	—	55,542
Brazilian real	18,658	9,385	—	—	28,043
Canadian dollar	23,312	30,992	—	5	54,309
Swiss franc	50,062	—	—	—	50,062
Danish krone	16,081	—	—	49	16,130
Euro	149,845	—	—	—	149,845
British pound sterling	94,764	11,769	—	—	106,533
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
Mexican peso	10,124	12,821	—	—	22,945
Malaysian ringgit	2,773	10,480	—	—	13,253
Norwegian krone	5,182	7,582	—	—	12,764
New Zealand dollar	—	16,795	—	55	16,850
Philippine peso	762	—	—	—	762
Polish zloty	1,405	9,899	—	—	11,304
Swedish krona	15,251	9,709	—	—	24,960
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
Turkish lira	3,225	—	—	—	3,225
Taiwan dollar	5,952	—	—	—	5,952
Total investments subject to foreign currency risk	610,126	167,812	12,803	289	791,030
United States dollars (securities held by Non—U.S. investment managers)	243,878	44,427	—	—	288,305
Total Non-U.S. Investments	\$854,004	\$212,239	\$12,803	\$ 289	\$1,079,335

FOREIGN CURRENCY RISK — NON-U.S. INVESTMENTS (in thousands)
AS OF JUNE 30, 2009

Currency	Equity	Fixed Income	Alternative Investments	Cash and Cash Equivalents	Totals
Marketable Investments:					
Argentine peso	\$ —	\$ —	\$ —	\$ 10	\$ 10
Australian dollar	16,773	20,124	5,552	—	42,449
Brazilian real	13,901	8,947	—	—	22,848
Canadian dollar	23,972	20,039	—	10	44,021
Swiss franc	49,762	—	—	—	49,762
Czech koruna	297	—	—	—	297
Danish krone	15,467	—	—	—	15,467
Euro	166,554	1,243	—	—	167,797
British pound sterling	68,121	10,333	—	744	79,198
Hong Kong dollar	50,644	—	—	262	50,906
Indonesian rupiah	2,722	5,799	—	—	8,521
Japanese yen	93,495	—	5,491	132	99,118
South Korean won	9,637	449	—	8	10,094
Mexican peso	8,171	10,542	—	45	18,758
Malaysian ringgit	1,968	9,763	—	7	11,738
Norwegian krone	6,618	1,953	—	11	8,582
New Zealand dollar	—	11,811	—	51	11,862
Polish zloty	242	7,464	—	—	7,706
Swedish krona	12,789	4,140	—	—	16,929
Singapore dollar	7,828	1,243	—	—	9,071
South African rand	743	5,149	—	—	5,892
Thai baht	—	1,559	—	—	1,559
Turkish lira	3,063	—	—	—	3,063
Taiwan dollar	2,302	—	—	32	2,334
Total investments subject to foreign currency risk	555,069	120,558	11,043	1,312	687,982
United States dollars (securities held by non-U.S. investment managers)	238,195	34,950	—	—	273,145
Total Non-U.S. Investments	\$793,264	\$155,508	\$11,043	\$1,312	\$961,127

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, forward foreign currency exchanges, asset-backed securities and mortgage-backed securities. NHRS managers may enter into certain derivative instruments primarily to enhance the performance and reduce the volatility of the portfolio. 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.

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 counter-parties and utilize exchanges which have trading standards.

Investments in asset-backed and mortgage-backed securities are reported at fair value. Although not 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, 2010 and June 30, 2009, the Plans' combined investment in asset-backed and mortgage-backed securities held in separate account portfolios totaled \$154.8 million (3.2%) and \$386.0 million (8.8%) 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 counter-parties 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, 2010 and June 30, 2009 are shown below.

**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	—
Totals					\$2,519	(\$793)

**OPEN FOREIGN CURRENCY EXCHANGE CONTRACTS
AT JUNE 30, 2009**

(in thousands)

	Local Currency Amount	Effective Date	Maturity Date	Original Foreign Exchange Rate	Unrealized Appreci- ation	Unrealized (Depre- ciation)
Foreign currency exchange contracts purchased:						
Australian dollar	4,232	5/5/2009	8/10/2009	1.3598966 AUD/USD	\$ 299	\$ —
British pound sterling	4,742	6/2/2009	9/4/2009	0.6075659 GBP/USD	4	—
British pound sterling	13,919	6/4/2009	9/4/2009	0.6180470 GBP/USD	400	—
Canadian dollar	6,412	5/6/2009	8/7/2009	1.1741500 CAD/USD	61	—
Euro	17,847	6/2/2009	9/8/2009	0.6997901 EUR/USD	—	(472)
New Zealand dollar	3,099	5/7/2009	8/13/2009	1.6949153 NZD/USD	174	—
Norwegian krone	12,136	4/15/2009	7/17/2009	6.7422000 NOK/USD	85	—
South Korean won	2,689,030	4/3/2009	7/7/2009	1335.0000 KRW/USD	97	—
South Korean won	1,597,000	5/20/2009	7/7/2009	1249.1300 KRW/USD	—	(25)
Foreign currency exchange contracts sold:						
Hong Kong dollar	(79)	6/29/2009	7/1/2009	0.1289075 USD/HKD	—	—
Hong Kong dollar	(25)	6/29/2009	7/1/2009	0.1289075 USD/HKD	—	—
Japanese yen	(295)	6/29/2009	7/1/2009	0.0104004 USD/JPY	—	—
Japanese yen	(155)	6/29/2009	7/1/2009	0.0104004 USD/JPY	—	—
Japanese yen	(116)	6/29/2009	7/1/2009	0.0104004 USD/JPY	—	—
Japanese yen	(3,818)	6/29/2009	7/1/2009	0.0104712 USD/JPY	—	—
South Korean won	(268,500)	4/9/2009	7/7/2009	0.0007590 USD/KRW	—	(7)
Totals					\$1,120	(\$504)

SECURITIES LENDING

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

Collateral held for securities loaned may include 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.

U.S. securities are loaned in consideration of collateral valued at 102.0% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned against collateral valued at 105.0% of the fair value of the securities plus any accrued interest, except that fixed income securities can be loaned against the same currency collateral at 102% plus any accrued interest. The actual collateral value was equal to 102.8% for U.S. securities and 105.5% for non-U.S. securities at June 30, 2010 and 102.8% for U.S. securities and 106.4% for non-U.S. securities at June 30, 2009. Collateral is marked-to-market daily. If the fair value of the collateral falls below the minimum collateral requirements, additional collateral is provided by the participating borrower subject to established minimum thresholds. The weighted average maturity of the collateral investment pool, based on interest rate reset dates, was 24 days as of June 30, 2010.

The liquidity crisis which struck the U.S. credit markets during fiscal year 2008 continued to impact the short-term credit markets and the securities lending collateral pool in which the Plans participated. As a result of the liquidity crisis and other market-related events, Northern Trust determined on September 19, 2008 that a collateral deficiency occurred in the collateral pool under the terms of the Securities Lending Authorization Agreement. As a result, Northern Trust established a \$5.5 million payable due from NHRS to the collateral pool. A payment of approximately \$0.9 million was made to Northern Trust in December 2009 and represented the impact associated with losses on collateral pool securities that were considered unrecoverable. The remaining \$4.7 million was considered to be an unrealized loss by Northern Trust. Given the improvement in credit markets, Northern Trust reversed the collateral deficiency during the course of fiscal year 2010 which removed the \$4.7 million obligation from NHRS. In October 2009, Northern Trust made the securities lending collateral guidelines more conservative by investing similar to SEC Rule 2A-7 funds and by investing collateral in shorter maturity securities. Furthermore, NHRS initiated steps during the fiscal year to reduce the level of securities available for lending from more than \$400 million in securities on loan

to the current level of approximately \$92 million. This process of reducing exposure to securities lending will continue in fiscal year 2011 with the objective of completing a full exit from this program.

The Plans are indemnified by the custodian in the event a borrower does not return loaned securities due to the insolvency of the borrower or if the custodian has failed to live up to its contractual responsibilities.

The custodian's responsibilities, as a lending agent, include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

The fair value of securities on loan, the collateral held, and the securities lending income as of June 30, 2010 and June 30, 2009 are presented below.

SECURITIES LENDING ACTIVITIES	(\$ in thousands)	
	2010	2009
Fair Value of U.S. and Non-U.S. Securities on Loan	\$455,968	\$290,806
Collateral Held Against U.S. and Non-U.S. Securities	471,642	\$301,400
Ratio of Collateral held to Loaned Securities	103.4%	103.6%
Net Income From Securities Lending Program	\$ 1,425	\$ 3,085

Credit risk on loaned securities is managed by restricting loans to parties on the custodian's approved list and by following established outstanding credit limits for each borrower, as set by the custodian. During the fiscal year, NHRS instituted a 20% limit to any single borrower. Due to the nature of the program's collateralization of the loans at 102.0% and 105.0%, plus accrued interest, management believes that credit risk is mitigated since the Plans owe borrowers more than borrowers owe the Plans.

Loaned securities are included in the Statement of Plan Net Assets since ownership is maintained. For loans collateralized by cash, the value of the collateral is recorded as a liability offsetting the cash collateral recorded as an asset. The cash collateral for U.S. and non-U.S. securities as of June 30, 2010 and June 30, 2009 were \$471.1 million and \$301.1 million, respectively. For loans having collateral other than cash, the related collateral securities are not recorded as assets in the Statement of Plan Net Assets, and a corresponding liability is not recorded, since the Plans cannot pledge or sell the collateral securities, except in the event of a borrower's default. The Plans do not use reverse repurchase agreements.

During the fiscal year, the NHRS also participated in securities lending as an investor in the following NTGI Collective Investment Trusts: Daily Russell 3000 Index Fund - Lending; 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. The revenue received by the commingled funds on behalf of clients is used to purchase additional securities. NTGI, as manager of these commingled index funds, held authority for all decisions regarding securities lending activity and collateral investment utilized within these portfolios. In October 2009, Northern Trust made the securities lending collateral guidelines more conservative by investing similar to SEC Rule 2A-7 funds and by investing collateral in shorter maturity securities. During the fiscal year, Northern Trust reversed the collateral deficiency on these funds due to improvements in the credit markets and NHRS benefited from the resulting positive performance impacting these index funds relative to their benchmarks. NHRS initiated a gradual exit from each of these funds during the fiscal year in accordance with trading windows established by NTGI. By the end of August 2010, NHRS completed this redemption process and had no securities lending exposure through NTGI Collective Investment Trusts.

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):

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)	UAAL Percentage of Covered Payroll ([b-a]/c)
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	\$4,862,256	\$7,259,715	\$2,397,459	67.0%	\$2,195,339	109.2%

Legislation was enacted during fiscal year 2007 that changed the actuarial cost method used to determine the annual required employer contributions to the entry age normal method. The actuarial cost method used for fiscal year 2006 and prior years was the open group aggregate cost method.

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)
Group II — Police Officers & Firefighters						
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%
Group I — Teachers						
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%
Group I — Political Subdivision Employees						
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%
Group I — State Employees						
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%

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

	Pension Plan	OPEB Plans
Valuation Date	06/30/2010	06/30/2010
Actuarial Cost Method	Entry age normal	Entry age normal
Amortization Method	Level percentage of payroll, closed	Level percentage of payroll, closed
Equivalent single amortization period	26 years From 06/30/2010	19 years* From 06/30/2010
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial Assumptions:		
Investment rate of return*	8.5%	4.5%
Projected salary increases*	4.5% to 16.25%	4.5% to 16.25%
*Includes Price Inflation at	3.5%	3.5%
Rate of Payroll Growth	4.50%	4.50%
Valuation Health Care Trend Rate	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. Effective on July 1, 2008, the annual increase will be 0.0% for four years, until the annual escalation will resume at a 4% rate effective on July 1, 2012.

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

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 schedules of funding progress reflect only results for fiscal years 2007, 2008, 2009, and 2010. Prior to fiscal year 2007 a different actuarial cost method was used and does not provide for a meaningful comparison.

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 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.

Changes in actuarial assumptions for fiscal year 2009:

There were no changes in actuarial assumptions made during fiscal year 2009.

Legislation was enacted in the 2009 legislative session which:

- (a) Set the member contribution rate for all Group I State employees hired on or after July 1, 2009 at 7.0% of earnable compensation. The member contribution rate for State employees hired before July 1, 2009 remains at 5.0%.
- (b) Reduced the State’s share of the political subdivision employers’ normal cost from 35% to 30% for fiscal year 2010, and to 25% for the state fiscal year 2011. The State’s share of political subdivision employer’s normal cost reverts back to 35% for the state fiscal year 2012 and each fiscal year thereafter.
- (c) Re-defines “extra or special duty compensation” as a component of a member’s earnable compensation to mean member work activities or details for which the employer bills or charges another entity for the work activities provided.
- (d) Requires that for fiscal years beginning on or after July 1, 2009, political subdivision employers must report monthly to NHRS all extra or special duty compensation paid to Group II firefighter and police officer members. Employers are also required to include in their billing to the entity for whom the extra or special duty is provided, the full amount of employer contributions required under RSA 100-A:16, II(b), which are applicable to the extra or special duty compensation paid to Group II members. If the contributions are not paid by the entity, employers are required to pay 100% of the employer contributions attributable to all extra or special duty compensation paid to Group II members.
- (e) Requires NHRS, effective July 1, 2009, to deduct from the monthly pension benefit of retired Group I and Group II State employees, the amount of \$65.00 for each retiree and each spouse who are under age 65 and receiving healthcare coverage through the State of New Hampshire. The total monthly deduction may not exceed \$130.00.
- (f) Requires NHRS to re-certify employer contribution rates for fiscal years 2010 and 2011, based upon a July 1, 2009, State Employee OPEB Plan balance of zero and to base all future employer contribution rates for the State Employee OPEB Plan using the same zero balance.
- (g) Delays from August 29, 2008, until July 1, 2010 the implementation of RSA 100-A:16, III-a, which addresses the funding of dramatic increases in the pensions of NHRS members resulting from excessively high end-of-career earnable compensation payments made to a retiring employee by an employer. Known as the “spiking provision” or the “125% calculation provision,” RSA 100-A:16,

- III-a provides that employers assume financial responsibility for the funding costs associated with those increased pension amounts.
- (h) Removes the application of the gainful occupation reductions to accidental disability retirement pensions paid to retired Group II members who have attained age 45, and whose total years of service as a Group II member plus their years of accidental disability retirement total at least 20 years.
 - (i) Repeals RSA 457-A regarding civil unions and amends RSA 457 to allow same gender couples to marry in New Hampshire. Because NHRS must follow the federal definition of marriage when administering pension plan benefits, certain retirement benefits for same gender married couples will be limited, as is currently the case with civil union partners.
 - (j) Provides medical subsidy benefits for certain Group I teacher and political subdivision employee members who retired on or before July 1, 2009, if: (1) they were eligible to retire as of July 1, 2008, either prior to age 60 with at least 20 years of service, or prior to age 55 with at least 30 years of service, and (2) subsequent to July 1, 2008, they attain the applicable age, 60 or 55, respectively.
 - (k) Requires NHRS to develop by December 1, 2009 a specific methodology to determine the amount of the employer assessment for excess pension benefits paid to members who retire after July 1, 2010. Such methodology must account for the portion of the present value of the member's retirement benefit attributable to the compensation in excess of the member's base pay that has been funded through the normal employer contributions, including the state share of the employer contributions and the member contributions. In addition, every participating employer must report annually to NHRS the annual base pay paid to each member.
 - (l) Provides a medical subsidy benefit for certain Group I teacher and political subdivision employee members who retired with a vested deferred retirement pension on or before July 1, 2009, if they were eligible to retire as of July 1, 2008, either: (1) with at least 20 years of Group I creditable service and had attained age 60, or subsequently attained age 60; or (2) with at least 30 years of Group I creditable service and had attained age 55, or subsequently attained age 55.
 - (m) Establishes a committee, composed of two State Senators and four State Representatives, to study the imposition of employer assessments for excess benefits paid to NHRS retirees. In addition, NHRS was required to report on or before November 1, 2009 to the chairpersons of the House and Senate Executive Departments and Administration Committees relative to death benefits provided under RSA 100-A.
 - (n) In accordance with federal Heroes Earnings Assistance and Relief Tax (HEART) Act of 2008, provides that ordinary death benefits paid to a surviving spouse in the form of an annuity will not terminate upon the remarriage of such surviving spouse. Further, the law defines "qualified military service" and provides ordinary death benefits for beneficiaries of NHRS members who die on or after January 1, 2007 while performing qualified military service.
 - (o) Effective July 1, 2009, 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, 2009. In addition, two additional lump sum temporary allowances were provided as follows:
 - 1.) Only for the fiscal year beginning July 1, 2009, 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, 2009, a supplemental allowance of \$500 for any retired member or beneficiary who retired prior to January 1, 1993.

In addition, 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.

Items (b) and (f) required the NHRS to recertify the employer contribution rates determined in the July 1, 2007 actuarial valuation. Item (b) did not change the overall employer contribution rate for fiscal years 2010 and 2011 but it did shift approximately \$9 million of cost in 2010 and \$18 million of cost in 2011 from the State of New Hampshire to the political subdivision employers. Item (f) lowered the employer contribution rate for the State Employee Group OPEB Plan from 3.03% to 1.96% and increased the employer contribution rate for the Political Subdivision Employee Group OPEB Plan by 0.07%.

Items other than (b) and (f) and (j) are reflected in the June 30, 2009 actuarial valuation, where appropriate, and will impact the employer contribution rates for fiscal years 2012 and 2013 by Employees (-0.15%), Teachers (0.00%), Police Officers (0.00%) and Firefighters (0.00%).

Item (j) has 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 \$61.2 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 on the next page, 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 2010 the State funded 30% of the employer normal costs for teachers, police officers, and firefighters employed by political subdivisions. For fiscal year 2009, the State funded 35% of the employer normal costs for teachers, police officers, and firefighters employed by political subdivisions. The State does not participate in funding the employer cost of other political subdivision employees. The funding strategy for normal cost should provide sufficient resources to pay employee pension benefits on a timely basis.

The annual covered payroll for the year ended June 30, 2010 is \$2,481.4 million and the annual covered payroll for the fiscal year ended June 30, 2009 was \$2,448.3 million.

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

TOTAL CONTRIBUTION RATES

Member Category	Member Normal Share	(FY 2010)			Member Normal Share	(FY 2009)		
		Employer State	Employer Local	Normal Share# Total		Employer State	Employer Local	Normal Share# Total
Employees								
State	5.00% *	9.16%	—%	9.16%	5.00%	8.74%	—%	8.74%
Local	5.00%	—%	9.16%	9.16%	5.00%	—%	8.74%	8.74%
Teachers	5.00%	3.21%	7.49%	10.70%	5.00%	3.13%	5.80%	8.93%
Police Officers	9.30%	5.85%	13.66%	19.51%	9.30%	6.37%	11.84%	18.21%
Firefighters	9.30%	7.41%	17.28%	24.69%	9.30%	8.57%	15.92%	24.49%

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

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*

(in thousands)

Member Category	Member Normal Share**	(FY 2010) Employer Normal Share*	Total Contributions	Member Normal Share	(FY 2009) Employer Normal Share*	Total Contributions
Employees	\$ 59,609	\$111,989	\$171,598	\$ 55,994	\$ 96,097	\$152,091
Teachers	54,238	110,724	164,962	52,942	89,722	142,664
Police Officers	25,419	52,137	77,556	23,476	48,945	72,421
Firefighters	10,246	27,387	37,633	10,116	26,686	36,802
Total Contributed	\$149,512	\$302,237	\$451,749	\$142,528	\$261,450	\$403,978

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

** Includes voluntary member contributions of \$10.0 million in FY 2010 and \$9.3 million in FY 2009.

TOTAL AMOUNTS CONTRIBUTED EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL

Member Category	Member Normal Share*	(FY 2010) Employer Normal Share	Total	Member Normal Share*	(FY 2009) Employer Normal Share	Total
Employees	5.45%	10.25%	15.70%	5.19%	8.90%	14.09%
Teachers	5.31%	10.85%	16.16%	5.28%	8.94%	14.22%
Police Officers	9.83%	20.17%	30.00%	9.10%	18.98%	28.08%
Firefighters	9.40%	25.12%	34.52%	9.39%	24.78%	34.17%
Total Contributed	6.03%	12.18%	18.21%	5.82%	10.68%	16.50%

*Includes voluntary member contributions of \$10.0 million in FY 2010 and \$9.3 million in FY 2009.

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 2010 and 2009 fiscal years were based on the June 30, 2007 and June 30, 2005 actuarial valuations, respectively.

A reconciliation of the normal rates determined in the June 30, 2007 valuation to the normal rates determined in the June 30, 2009 valuation based on the entry age normal funding method is shown below. This reconciliation outlines the effects on the normal contribution rates of the changes in Pension Plan benefits and actuarial assumptions that have occurred since the June 30, 2007 actuarial valuation.

RECONCILIATION OF THE ACTUARIAL PROJECTED EMPLOYER NORMAL CONTRIBUTION RATES FOR PENSION

	Employees	Teachers	Police Officers	Firefighters
Employer Normal Rates as Determined by 6/30/2007 Valuation#	9.09%	9.38%	17.34%	22.52%
Asset (Gain)/Loss	1.18%	1.55%	2.89%	3.24%
Assumption Changes	—	—	—	—
Method Change	—	—	—	—
Effect of Legislation	(0.15%)	—	—	—
Other (Gains)/Losses	0.59%	0.58%	2.69%	2.49%
Employer Normal Rates as Determined by 6/30/2009 Valuation#	10.71%	11.51%	22.92%	28.25%

Based on an 8.5% interest rate.

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

NET ASSETS HELD IN TRUST FOR BENEFITS	(in thousands)	
	2010	2009
Pension		
Employees	\$1,485,873	\$1,305,377
Teachers	1,768,347	1,596,855
Police Officers	862,360	768,683
Firefighters	402,668	358,568
Special Account	328,604	285,773
Subtotal Pension	\$4,847,852	\$4,315,256
OPEB Plans		
Group II Police Officers & Firefighters	\$ 14,386	\$ 99,039
Group I Teachers	6,431	16,986
Group I Political Subdivision Employees	29,670	47,640
Group I State Employees	—	(17,710)
Subtotal OPEB Plans	\$ 50,487	\$ 145,955
TOTAL NET ASSETS HELD IN TRUST FOR BENEFITS	\$4,898,339	\$4,461,211

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 2010, 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 2010 the State funded 30% of the employer normal costs for teachers, police officers and firefighters employed by political subdivisions. For fiscal year 2009, the State funded 35% of the employer normal costs for teach-

ers, 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.

SPECIAL ACCOUNT

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

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

The Special Account is credited annually with all of the earnings on an actuarial basis of the Special Account assets plus the earnings of the remaining assets of the Pension Plan in excess of the assumed rate of return plus 1/2 of 1%. The Board of Trustees set the rate of return on assets at 8.5% for the years ended June 30, 2010 and 2009. Therefore, earnings in excess of 9.0%, if any, would have been credited to the Special Account. However, legislation was enacted during fiscal year 2007 that restricts any funds from being credited to the Special Account until the funded ratio of the 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. Because the funded ratio of the Plans at June 30, 2010 and June 30, 2009 were below 85%, no funds were transferred to the Special Account for those years.

As of June 30, 2010, the balance of the Special Account was \$239.1 million. The comparable figure for June 30, 2009 was \$285.8 million. At June 30, 2010, \$89.5 million was transferred into the Special Account as more fully described in Note 9. Legislation costing \$65.9 million that was enacted during the 2010 legislative session, with an effective date after June 30, 2010, will be terminally funded from assets in the Special Account. The assets held in the Special Account are not used in the actuarial determination of the normal contribution rate and by statute shall only be used to fund or partially fund additional benefits for members of the Pension Plan.

NOTE 7 — ADMINISTRATIVE EXPENSES

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

Administrative expenses consist primarily of salaries and benefits for 67 full-time and part-time employees and the costs associated with operating and maintaining computer systems.

NOTE 8 — CONTINGENT MATTERS

The NHRS is a co-defendant, along with the State of New Hampshire, in two suits filed in the New Hampshire Court system. The plaintiff parties are seeking relief from statutory changes made in the 2008 and 2009 legislative sessions by the New Hampshire Legislature.

The plaintiff parties are seeking relief from statutory changes in the 2008 and 2009 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
- Required NHRS to begin withholding monthly healthcare contributions from the pension benefit of State retirees under the age of 65 receiving State paid retiree health insurance

In addition, the NHRS has been named as a co-defendant along with the State of New Hampshire in a lawsuit filed in New Hampshire 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 challenges 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 alleges that the reduction for those two fiscal years violates the State Constitution as an unfunded mandate imposed by the State on the local employers.

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

NOTE 9 – SUBSEQUENT EVENTS

INTERNAL REVENUE SERVICE VOLUNTARY COMPLIANCE PROGRAM

On September 1, 2010, the System received a Compliance Statement from the Internal Revenue Service (IRS) in regards to its Voluntary Compliance Program (VCP) filing of April 2, 2008. In that filing of April 2, 2008, the System identified plan document or operational failures that the System recommended needed to be corrected to insure compliance with RSA 100-A and IRS regulations. The IRS compliance statement agreed with the corrective steps recommended by the System. Those failures and the corrective steps that have been taken or will be taken are as follows:

- a.) Correct a series of seven plan document failures where the System failed to timely adopt provisions to comply with certain requirements of the IRS code. The affected provisions covered minimum vesting standards, treatment of forfeitures, required minimum distributions, specified factors for actuarial equivalence, eligible rollover distributions, updated requirements for annual benefit limitations and updated requirements for annual addition limitations and definition of compensation. The System will write administrative rules to correct the plan document failures through the legislative rulemaking process by the close of the biennial legislative session beginning January 4, 2011.
- b.) For the time period fiscal year 1990 through fiscal year 2000, \$26.4 million was transferred from Special Account pension assets to the System's 401(h) medical subtrust. Those transfers were made to fund a health subsidy for certain pre-July 1, 1988 Police Officer and Firefighter retirees. This transfer was not permissible under Internal Revenue Code Sections 401(h) and 420. The System has corrected this operational failure and that correction is reflected in these fiscal year 2010 financial statements. A total transfer of \$89.5 million is reflected in the fiscal year 2010 financial statements as a net asset transfer from the Police Officer & Firefighter 401(h) subtrust to the Special Account. The \$89.5 million transfer consists of the original \$26.4 million transfer plus investment earnings of \$63.1 million from July 1, 1989 to June 30, 2010.
- c.) Although New Hampshire statutes provided that 25% of employer contributions be credited to the 401(h) subtrust, for the time period fiscal year 2001 through fiscal year 2007, 33 1/3% of employer contributions were actually credited to the 401(h) subtrust. Failure to follow the terms of the plan document (in this case the New Hampshire statutes) was considered to be an "operational failure" under IRS Revenue Procedure 2006-27. This operational failure was corrected in fiscal year 2007 through legislation that ratified the 33 1/3% contributed during fiscal years 2001-2007.
- d.) The System will amend the plan documents to actually state that effective as of July 1, 1989, the System will determine the amount of any benefit that is determined on the basis of actuarial assumptions using the assumptions adopted by the Board of Trustees and will also state that such benefits will not be subject to employer discretion. For benefits on or after July 1, 2007, the actuarial assumptions will be those included in the proposed amendment. The System will write administrative rules to correct this plan document failure through the legislative rulemaking process by the close of the biennial legislative session beginning January 4, 2011.

As of the present date, the IRS has not ruled on the System's outstanding request for a favorable tax determination letter.

STATE EMPLOYEE OPEB PLAN DEFICIT

In the course of implementing in the provisions of Governmental Accounting Standards Board (GASB) pronouncement No. 43-"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" in fiscal year 2007, it was discovered that the State Employee OPEB Plan had operated in a deficit balance

status since its establishment on January 1, 2002. The original deficit plus interest was determined to be \$15.2 million as of June 30, 2007. The gap between the medical subsidies benefits paid from the State Employee OPEB and the contributions received from the State Employee OPEB Plan were financed by draws against the Political Subdivision Employee OPEB Plan. On April 8, 2008, the NHRS Board of Trustees voted to engage the State of New Hampshire in repayment discussions to resolve the inequity. Although those discussions took place, no mutually acceptable resolution was achieved.

In the 2009 legislative session, legislation was enacted that required the System, beginning July 1, 2009, to certify employer contribution rates, due and payable by the State, based upon a State Employee OPEB fund balance of \$0.00. Furthermore, the legislation stated that the Board of Trustees could not certify State employer contributions rates in any subsequent fiscal year based on any payments made from the State Employee OPEB Plan prior to July 1, 2009.

Based on the legislation enacted in the 2009 legislative session, and upon advice of legal counsel, the Board voted on September 14, 2010 to write off the State Employee OPEB Plan fund balance of \$17.5 million effective June 30, 2010 and to disclose that action in the fiscal year 2010 annual financial report. On that same date, the Board also voted to rescind its April 8, 2008 vote to seek repayment from the State of New Hampshire.

As a result of these actions, the System has written off the State Employee OPEB Plan deficit as of June 30, 2010 of \$17.5 million and established a balance as of that same date of \$0.00. At the same time, the fund balance for the Political Subdivision Employee OPEB Plan was reduced by \$17.5 million as of the same June 30, 2010 date. Both these actions are recorded in the financial statements presented here for fiscal year 2010.

SCHEDULE OF FUNDING PROGRESS — PENSION PLAN

(\$ in thousands)

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UALL) (b-a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL Percentage of Covered Payroll ((b-a)/c)
6/30/2010	\$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	\$4,862,256	\$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
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%
2005	Employees	51,028	100.00%
	Teachers	36,027	100.00%
	Police Officers	26,542	100.00%
	Firefighters	19,157	100.00%
2004	Employees	48,222	100.00%
	Teachers	32,563	100.00%
	Police Officers	24,609	100.00%
	Firefighters	17,966	100.00%
2003	Employees	32,413	100.00%
	Teachers	31,032	100.00%
	Police Officers	16,454	100.00%
	Firefighters	8,359	100.00%

*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)
Group II — Police Officers & Firefighters						
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%
Group I — Teachers						
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%
Group I — Political Subdivision Employees						
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%
Group I — State Employees						
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
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%

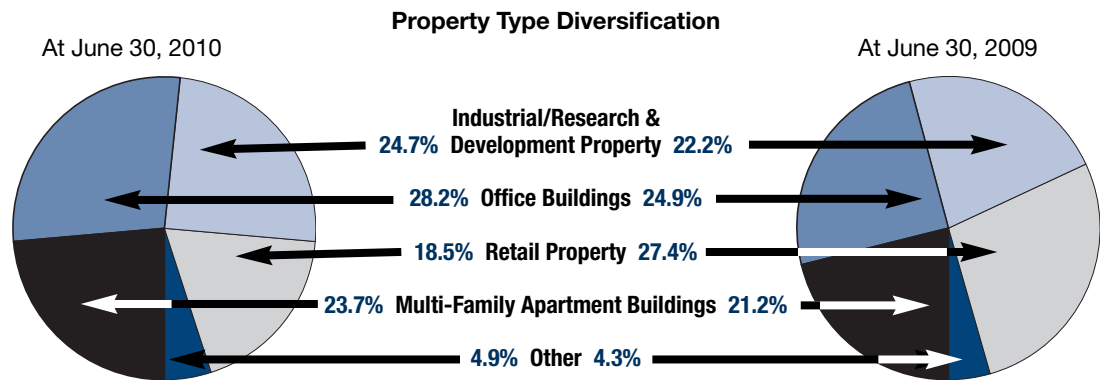
*For fiscal year 2009 and prior, the OPEB Plans were funded by allocating 25% of all employer contributions made in accordance with RSA 100-A:16 to the 401(h) subtrust until such time as the benefits were fully funded. Beginning with fiscal year 2010, the OPEB Plans are to be funded by allocating to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

- 25% of all employer contributions made in accordance with RSA 100-A:16; or
- 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 2010, 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 2010, the State funded 30% of the employer normal costs for teachers, police officers and firefighters employed by the political subdivisions. For fiscal year 2009 the State funded 35% of those same political subdivision employer costs.

REAL ESTATE INVESTMENTS BY TYPE

(in thousands)

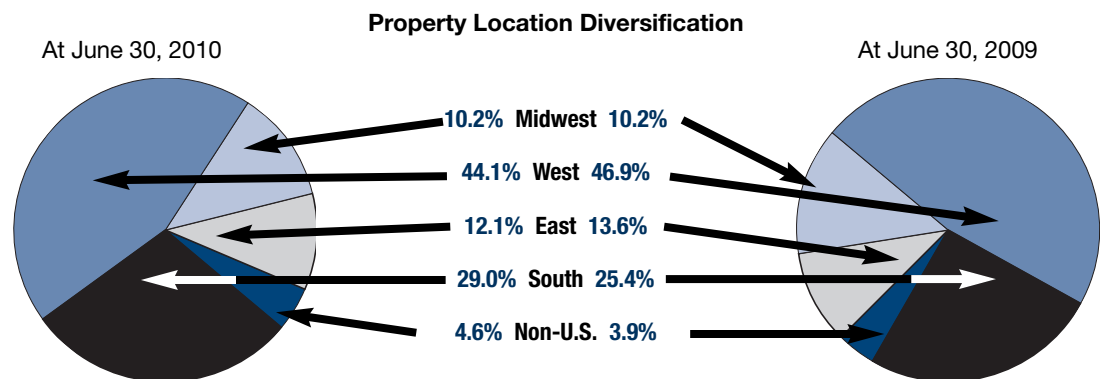
	JUNE 30	
	2010	2009
Office Buildings	\$ 60,541	\$ 68,221
Multi-Family Apartment Buildings	68,908	58,015
Retail Property	45,308	74,937
Industrial/Research & Development Property	58,059	60,615
Other	12,023	11,771
TOTAL REAL ESTATE INVESTMENTS BY TYPE	\$244,839	\$273,559



REAL ESTATE INVESTMENTS BY LOCATION

(in thousands)

	JUNE 30	
	2010	2009
West	\$108,068	\$128,334
East	29,705	37,166
South	70,921	69,461
Midwest	24,888	28,023
Non-U.S.	11,257	10,575
TOTAL REAL ESTATE INVESTMENTS BY LOCATION	\$244,839	\$273,559



ALTERNATIVE INVESTMENTS	(in thousands)	
	2010	JUNE 30 2009
Venture Capital	\$ 9,024	\$ 7,036
Growth Equity	27,478	29,136
Secondaries	92	—
Mezzanine	6,083	5,552
Distressed	10,745	12,994
Absolute Return Strategies	40,418	48,310
TOTAL ALTERNATIVE INVESTMENTS	\$93,840	\$103,028

CONTRIBUTIONS	(in thousands)	
	YEAR ENDED JUNE 30	
	2010	2009
CONTRIBUTIONS—PENSION PLAN		
EMPLOYER CONTRIBUTIONS:		
Employees	\$101,186	\$ 72,566
Teachers	68,627	43,616
Police Officers	36,502	28,097
Firefighters	17,820	13,714
TOTAL EMPLOYER CONTRIBUTIONS	224,135	157,993
STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS:		
Teachers	28,483	23,108
Police Officers	9,889	8,836
Firefighters	7,170	6,277
TOTAL STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS	45,542	38,221
PLAN MEMBER CONTRIBUTIONS:		
Employees	59,609	55,994
Teachers	54,238	52,942
Police Officers	25,419	23,476
Firefighters	10,246	10,116
TOTAL PLAN MEMBER CONTRIBUTIONS	149,512	142,528
TOTAL CONTRIBUTIONS—PENSION PLAN	419,189	338,742
CONTRIBUTIONS — OPEB PLANS		
EMPLOYER NORMAL:		
Group II — Police Officers and Firefighters	6,217	13,669
Group I — Teachers	9,560	15,295
Group I — Political Subdivision Employees	404	12,381
Group I — State Employees	10,399	11,150
TOTAL EMPLOYER NORMAL CONTRIBUTIONS	26,580	52,495
STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS:		
Group II — Police Officers and Firefighters	1,926	5,038
Group I — Teachers	4,054	7,703
TOTAL STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS	5,980	12,741
TOTAL CONTRIBUTIONS — OPEB PLANS	32,560	65,236
TOTAL CONTRIBUTIONS	\$451,749	\$403,978

**NET APPRECIATION (DEPRECIATION)
IN FAIR VALUE OF INVESTMENTS**

(in thousands)

	YEAR ENDED JUNE 30	
	2010	2009
Equity Investments:		
Domestic	\$ 261,620	(\$ 568,480)
Non-U.S.	82,773	(342,277)
Fixed Income Investments	142,961	4,013
Real Estate	(16,669)	(149,527)
Venture Capital	2,082	(3,595)
Growth Equity	1,144	(9,821)
Secondaries	8	—
Mezzanine	595	(2,428)
Distressed	(1,250)	(9,022)
Absolute Return Strategies	3,593	(7,255)
NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS	\$ 476,857	(\$1,088,392)

INTEREST INCOME	(in thousands)	
	YEAR ENDED JUNE 30	
	2010	2009
Fixed Income Investments	\$53,798	\$56,007
Cash and Cash Equivalents	74	316
TOTAL INTEREST INCOME	\$53,872	\$56,323

DIVIDEND INCOME	(in thousands)	
	YEAR ENDED JUNE 30	
	2010	2009
Equity Investments:		
Domestic	\$14,599	\$16,999
Non-U.S.	18,055	19,112
TOTAL DIVIDEND INCOME	\$32,654	\$36,111

ALTERNATIVE INVESTMENT INCOME (LOSS)	(in thousands)	
	YEAR ENDED JUNE 30	
	2010	2009
Venture Capital	\$ 54	(\$ 16)
Growth Equity	49	(218)
Secondaries	(65)	—
Mezzanine	(64)	298
Distressed	(239)	(136)
Absolute Return Strategies	4,844	(8,650)
TOTAL ALTERNATIVE INVESTMENT INCOME (LOSS)	\$4,579	(\$8,722)

REAL ESTATE INVESTMENTS INCOME AND EXPENSES

(in thousands)

	INCOME		EXPENSE		NET INCOME	
	YEAR ENDED JUNE 30		YEAR ENDED JUNE 30		YEAR ENDED JUNE 30	
	2010	2009	2010	2009	2010	2009
Office Buildings	\$14,777	\$17,576	\$ 9,901	\$12,564	\$ 4,876	\$ 5,012
Multi-Family Apartment Buildings	11,896	14,978	7,696	10,076	4,200	4,902
Retail Property	12,657	20,481	8,235	12,961	4,422	7,520
Industrial/Research & Development Property	6,909	8,688	2,789	3,192	4,120	5,496
Other	288	250	179	144	109	106
TOTAL	\$46,527	\$61,973	\$28,800	\$38,937	\$17,727	\$23,036

**INVESTMENT ACTIVITY FEES AND
OTHER INVESTMENT RELATED EXPENSES**

(in thousands)

	YEAR ENDED JUNE 30	
	2010	2009
INVESTMENT ACTIVITY FEES:		
Equity Investments:		
Domestic	\$ 5,277	\$ 4,117
Non-U.S.	4,920	3,837
Fixed Income Investments	3,106	3,275
Alternative Investments:		
Venture Capital	168	71
Growth Equity	742	706
Secondaries	145	—
Mezzanine	50	33
Distressed	62	154
Absolute Return Strategies	678	571
Real Estate	2,482	2,113
Custodial Fees	447	679
Investment Advisor Fees	768	1,121
TOTAL INVESTMENT ACTIVITY FEES	\$18,845	\$16,677
OTHER INVESTMENT RELATED EXPENSES:		
Securities Lending Borrower (Premiums)/Rebates	(\$ 457)	3,120
Securities Lending Management Fees	324	652
TOTAL INVESTMENT ACTIVITY FEES AND OTHER INVESTMENT RELATED EXPENSES	\$18,712	\$20,449

BENEFITS	(in thousands)	
	YEAR ENDED JUNE 30	
	2010	2009
PENSION BENEFITS AND ADDITIONAL ALLOWANCES:		
Employees	\$158,889	\$148,044
Teachers	202,123	182,923
Police Officers	85,589	79,762
Firefighters	43,474	41,651
TOTAL PENSION BENEFITS AND ADDITIONAL ALLOWANCES	\$490,075	\$452,380
POSTEMPLOYMENT MEDICAL BENEFITS:		
Group II Police and Fire	\$ 15,916	\$ 15,688
Group I Teachers	26,779	24,489
Group I Political Subdivision Employees	7,009	6,496
Group I State Employees	10,171	10,926
TOTAL POSTEMPLOYMENT MEDICAL BENEFITS	\$ 59,875	\$ 57,599
TOTAL BENEFITS	\$549,950	\$509,979

REFUNDS OF CONTRIBUTIONS	(in thousands)	
	YEAR ENDED JUNE 30	
	2010	2009
Employees	\$11,843	\$12,472
Teachers	6,148	8,315
Police Officers	3,297	3,278
Firefighters	563	139
TOTAL REFUNDS OF CONTRIBUTIONS	\$21,851	\$24,204

ADMINISTRATIVE EXPENSES

(in thousands)

	2010 EXPENSE	2010 BUDGET*	OVER (UNDER) BUDGET	2009 EXPENSE	2009 BUDGET*	OVER (UNDER) BUDGET
Salaries and Wages	\$3,325	\$4,164	(\$ 839)	\$3,897	\$ 4,327	(\$ 430)
Fringe Benefits	1,708	1,997	(289)	1,566	2,308	(742)
Supplies, Utilities and Postage	363	576	(213)	463	488	(25)
Organizational Dues	8	11	(3)	10	10	—
Equipment	28	130	(102)	95	209	(114)
Travel						
Board of Trustees	19	33	(14)	19	33	(14)
Staff	19	75	(56)	28	80	(52)
State Services	64	64	—	47	79	(32)
Office Rents and Expenses	529	628	(99)	382	390	(8)
Computer Support and System Development	498	561	(63)	555	2,767**	(2,212)
Consulting	72	78	(6)	114	178	(64)
Workers Compensation	13	(11)	24	32	32	—
Unemployment Compensation	—	5	(5)	—	5	(5)
TOTAL	\$6,646	\$8,311	(\$1,665)	\$7,208	\$10,906	(\$3,698)

* 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.

** \$1.739 million of budgeted system development costs were capitalized in fiscal year 2009 and those costs are not reflected in the fiscal year 2009 expense.

PROFESSIONAL FEES

(in thousands)

	YEAR ENDED JUNE 30	
	2010	2009
Actuarial Fees	\$ 186	\$ 436
Audit Fees	218	203
Legal Fees	849	780
TOTAL PROFESSIONAL FEES	\$1,253	\$1,419

MEMBERSHIP COMPOSITION

	JUNE 30	
	2010	2009
ACTIVE CONTRIBUTING MEMBERS:		
Employees	25,987	26,352
Teachers	18,603	18,709
Police Officers	4,231	4,318
Firefighters	1,646	1,653
TOTAL ACTIVE CONTRIBUTING MEMBERS	50,467	51,032
*Excludes inactive		
RETIRED MEMBERS:		
Employees	12,802	12,192
Teachers	9,087	8,507
Police Officers	2,702	2,565
Firefighters	1,254	1,237
TOTAL RETIRED MEMBERS	25,845	24,501

PAYMENTS FROM THE STATE GENERAL FUND

(in thousands)

	YEAR ENDED JUNE 30	
	2010	2009
State Share of Normal Contributions for Local Employers	\$51,522	\$50,962
TOTAL STATE GENERAL FUND PAYMENTS EXCLUSIVE OF NORMAL CONTRIBUTIONS FOR STATE MEMBERS	\$51,522	\$50,962

NEW HAMPSHIRE RETIREMENT SYSTEM

INVESTMENT SECTION

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**INVESTMENT
CONSULTANT'S
LETTER**



KEVIN M. LEONARD
SENIOR CONSULTANT

October 14, 2010

Board of Trustees
Investment Committee
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, 2010.

The overall objective of the New Hampshire Retirement System (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 actuarial assumed 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 also adopted an Alternative Investment Policy Statement and a Real Estate Policy. 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 and other related policies, 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 and NHRS proxy voting guidelines. The following pages report on the performance and attributes of the investment program for fiscal year 2010.

Fiscal year 2010 provided a much needed respite after the significant market downturn experienced in fiscal year 2009. For much of the period, markets continued their remarkable rebound from the lows reached in March 2009, as governments and central banks around the world coordinated efforts to stimulate their faltering economies. Although investors left the perceived safe havens of government bonds and cash to invest in riskier assets during the latter half of 2009 and early 2010, a cautious tone returned in the final quarter of fiscal year 2010. Sentiment became increasingly negative due to concerns surrounding the European sovereign debt crisis, more restrictive lending policies by the Chinese central bank, sluggish U.S. growth and U.S. financial reform.

For the fiscal year ended June 30, 2010, the NHRS Total Fund returned 12.9% on a net-of-fees basis and 13.2% on a gross-of-fees basis, outperforming the Total Fund Custom Benchmark return of 11.7%. The NHRS gross-of-fees return of 13.2% for the fiscal year

One Main Street | Cambridge, MA 02142 | TEL: 617.374.1300 | www.nepc.com
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ranked in the 47% percentile, above the median, relative to other investors in the Independent Consultants Cooperative Public Fund Universe. For the trailing ten year period ending June 30, 2010, the NHRS Total Fund returned 2.3% on an annualized net-of-fee basis and for the trailing twenty year period ending June 30, 2010, returned 7.8% on an annualized net-of-fee basis.

Diversification aims to reduce volatility and mitigate overall plan risk across a range of asset classes with varied return patterns. Our goal is to increase the diversification of the System's assets more broadly within the traditional and non-traditional asset classes for the purpose of reducing volatility, while at the same time enhancing the Fund's ability to generate superior returns throughout all market conditions.

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. L.', is written below the word 'Sincerely,'.

INVESTMENT REPORTS

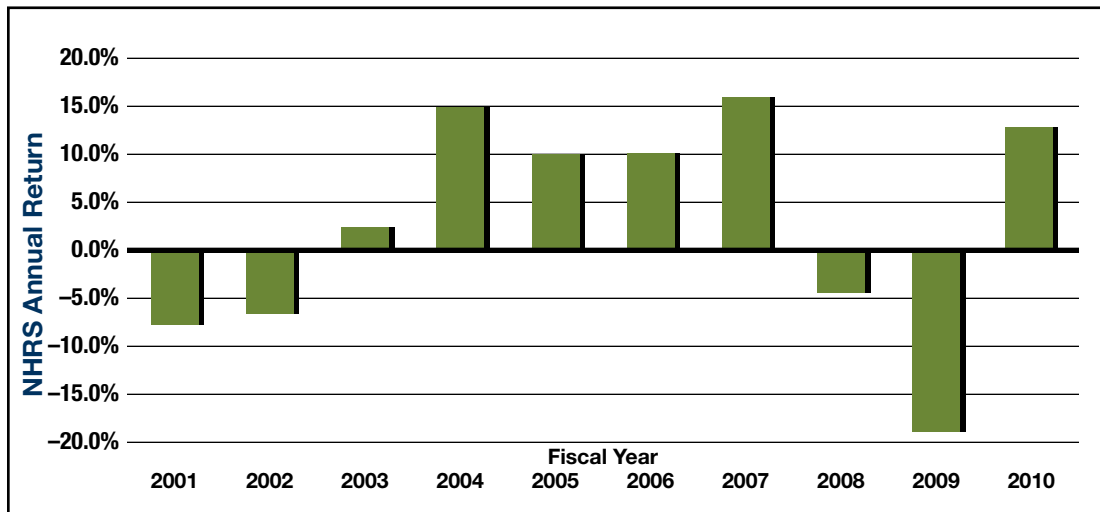
ANNUALIZED INVESTMENT RETURNS—ACTUAL VERSUS INDICES

	Current Year 2010	3 Year	Annualized 5 Year	10 Year
Total NHRS Fund	12.9%	-4.1%	2.4%	2.3%
Total Fund Custom Index*	11.7	-3.8	2.6	2.8
Domestic Equity	15.5	-10.6	-1.5	-1.6
Total Domestic Equity Blended Benchmark*	15.7	-9.5	-0.5	-1.2
International Equity	12.2	-9.4	3.6	0.9
Total International Equity Blended Benchmark*	10.4	-10.7	3.4	1.6
Global Equity	9.0	—	—	—
MSCI ACWI	11.8	—	—	—
Fixed Income	13.6	8.7	6.6	7.9
Total Fixed Income Blended Benchmark*	10.6	7.2	5.5	6.6
Real Estate	1.8	-9.0	1.6	6.9
Total Real Estate Blended Benchmark*	-1.0	-4.5	3.9	7.2
Alternative Investments	8.3	-12.4	-3.8	-6.4
Consumer Price Index + 5%	6.2	6.6	7.4	7.4
Cash Equivalents	0.2	1.9	3.0	2.9
90 Day T-Bills	0.2	1.6	2.8	2.7

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

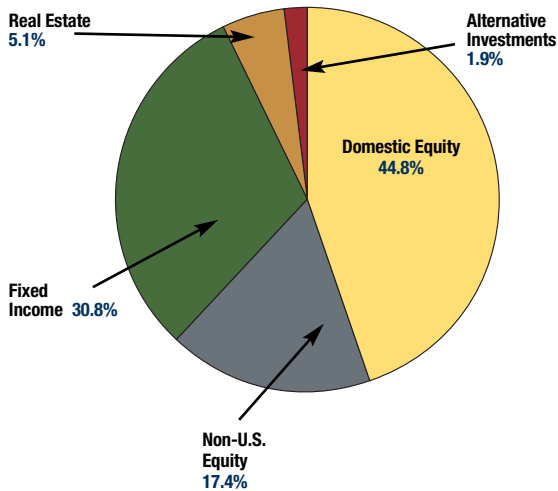


ACTUAL ASSET ALLOCATION VERSUS TARGET ASSET ALLOCATION

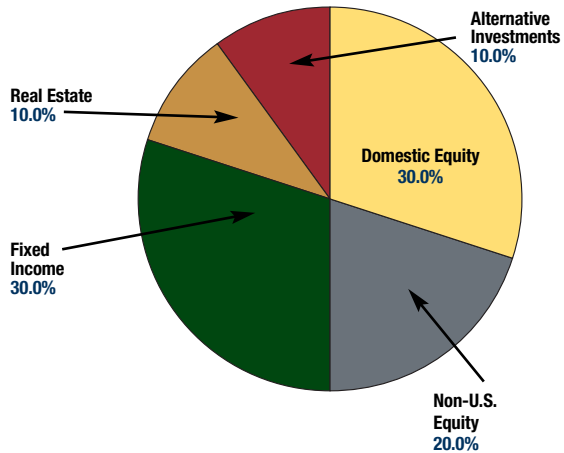
	Actual %	As of June 30, 2010 Target %*	Target Range %*
Domestic Equity	44.8 %	30.0 %	20 – 50
Non-U.S. Equity	17.4	20.0	15 – 25
Fixed Income	30.8	30.0	25 – 35
Real Estate	5.1	10.0	0 – 15
Alternative Investments	1.9	10.0	0 – 15
TOTAL FUND	100.0 %	100.0 %	

*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. Prior to this, the non-U.S. equity asset allocation target was International Equity (15%) and Global Equity (5%).

Actual Asset Allocation as of June 30, 2010



Target Asset Allocation as of June 30, 2010



TEN LARGEST STOCK HOLDINGS BY FAIR VALUE*

(in thousands)

	Shares	Stock	June 30, 2010 Fair Value
1	136,562	Apple Inc.	\$34,349
2	518,904	PepsiCo Inc.	31,627
3	1,293,092	Cisco Systems Inc.	27,556
4	460,629	Exxon Mobil Corp.	26,288
5	374,632	Chevron Corp.	25,423
6	1,696,004	Pfizer Inc.	24,185
7	635,467	JPMorgan Chase & Co.	23,264
8	385,402	Procter and Gamble Co.	23,116
9	980,019	Microsoft Corp.	22,550
10	879,255	Wells Fargo & Co.	22,509

TEN LARGEST FIXED INCOME HOLDINGS BY FAIR VALUE*

(in thousands)

	Par	Security	June 30, 2010 Fair Value
1	17,009,000	U.S. Treasury Note — 0.875%, 2011	\$17,090
2	14,450,000	U.S. Treasury Bond — 4.5%, 2038	15,938
3	14,015,000**	New South Wales Treasury Bond — 5.5%, 2017	11,920
4	11,717,000	U.S. Treasury Note — 1.125%, 2011	11,829
5	10,042,000	U.S. Treasury Note — 4.0%, 2015	11,083
6	9,155,271	Small Business Administration Bond — 5.6%, 2028	10,054
7	8,790,868	Small Business Administration Bond — 6.02%, 2028	9,912
8	69,310,000**	Kingdom of Sweden Treasury Bond — 5.5%, 2012	9,709
9	9,391,000,000**	Republic of Korea Treasury Bond — 5.75%, 2018	8,128
10	5,072,000**	Government of U.K. Gilt — 4.25%, 2036	7,687

The NHRS also invests in the following Collective Investment Trust:***

(in thousands)

	Units	Security	June 30, 2010 Fair Value
	30,203,745	Pyramis Core Plus Commingled Pool	\$435,538

* A complete listing of holdings custodied at Northern Trust is available for review by contacting the NHRS offices.

** Par value is denoted in local currency.

*** Custodied outside of The Northern Trust Company (Master Custodian for NHRS).

SCHEDULE OF INVESTMENT MANAGEMENT AND SERVICE FEES

	YEAR ENDED JUNE 30, 2010		
	Assets Under Management (in thousands)	Fees (in thousands)	Average Basis Points
INVESTMENT MANAGEMENT FEES			
Equity Investments:			
Domestic	\$2,137,780	\$ 5,277	25
Non-U.S.	854,004	4,920	58
Fixed Income Investments	1,399,283	3,106	22
Alternative Investments	93,840	1,845	197
Real Estate	244,839	2,482	101
Cash and Cash Equivalents	110,911	—	—
TOTAL INVESTMENT MANAGEMENT FEES	\$4,840,657	\$17,630	36
INVESTMENT SERVICE FEES			
Custodial Fees	\$4,501,978	\$ 447	1
Investment Advisor Fees	4,840,657	768	2
Security Lending Management Fees	471,642	324	7
TOTAL INVESTMENT MANAGEMENT AND SERVICE FEES	\$4,840,657	\$19,169	40

SCHEDULE OF BROKERAGE COMMISSIONS PAID

Brokerage Firm	YEAR ENDED JUNE 30, 2010		
	Number of Shares Traded (in thousands)	Total Commissions (in thousands)	Commissions Per Share
Merrill Lynch & Company, Inc.	6,889	\$ 89	\$0.01
Credit Suisse First Boston Corporation	6,072	87	0.01
Morgan Stanley & Company, Inc.	5,589	85	0.02
Goldman Sachs & Company, Inc.	6,392	64	0.01
Liquidnet, Inc.	2,286	55	0.02
Bear Stearns Securities Corporation	2,714	55	0.02
UBS AG	2,791	45	0.02
J.P. Morgan Securities, Inc.	1,728	45	0.03
Knight Securities, L.P.	2,426	44	0.02
Barclays Capital	1,840	44	0.02
Jefferies & Company, Inc.	1,144	36	0.03
Citigroup Global Markets, Inc.	2,159	34	0.02
Caylon Securities, Inc.	5,243	33	0.01
Investment Technology Group, Inc.	1,773	31	0.02
Bank of New York Mellon Corp.	1,169	30	0.03
Robert W. Baird & Company	691	28	0.04
Piper Jaffray Inc.	767	26	0.03
All Others (147 not listed separately)	27,685	649	0.02
TOTAL BROKERAGE COMMISSIONS PAID	79,358	\$1,480	\$0.02

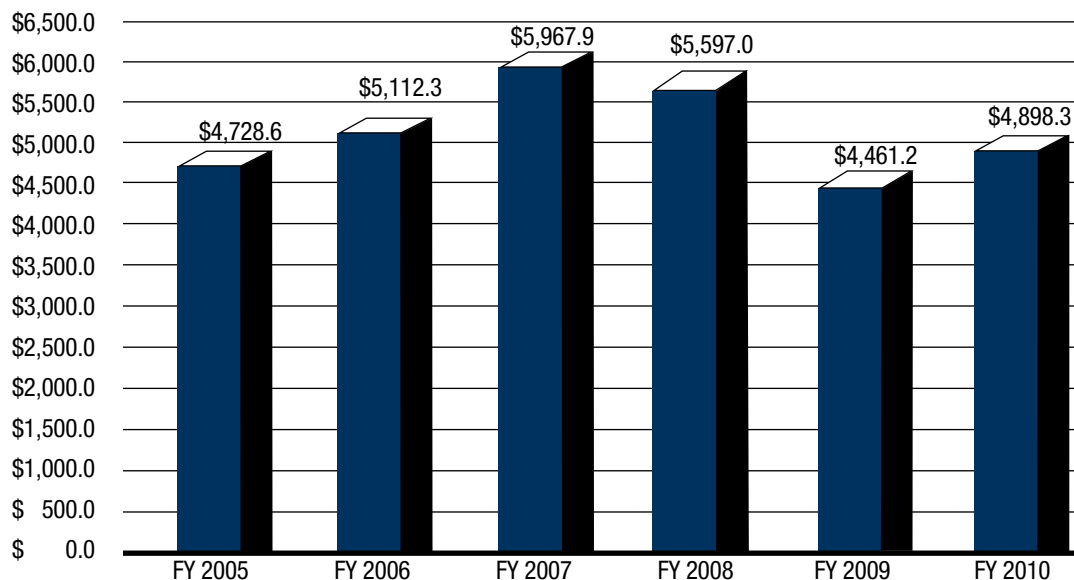
Commission detail is not included in the schedule above for the following funds because they are commingled investments:

- NTGI Collective Daily Aggregate Bond Index Funds
- NTGI Collective Daily All Country World Index ex-U.S. Funds
- NTGI Collective Daily Russell 1000 Index Funds
- NTGI Collective Daily Russell 2000 Index Funds
- NTGI Collective Daily Russell 3000 Index Funds
- Pyramis Core Plus Commingled Pool

SUMMARY OF INVESTMENTS

June 30, 2010		
TYPE OF INVESTMENT	Fair Value (in millions)	Percent of Total Fair Value
FIXED INCOME		
Collateralized/Asset Backed Obligations	\$ 97.9	2.0%
Corporate Bonds	416.8	8.6
Government and Agency Bonds	315.1	6.5
NTGI Collective Daily Aggregate Bond Index Fund	134.0	2.8
Pyramis Core Plus Commingled Pool	435.5	9.0
TOTAL FIXED INCOME	1,399.3	28.9
EQUITY		
Consumer Discretionary	207.4	4.3
Consumer Staples	154.2	3.2
Energy	163.9	3.4
Financial Services	270.6	5.6
Health Care	224.7	4.6
Industrials	174.0	3.6
Information Technology	292.7	6.0
Materials	104.8	2.2
Telecommunication Services	60.8	1.2
Utilities	27.6	0.6
NTGI Collective Daily All Country World Index ex-U.S. Funds	142.3	2.9
NTGI Collective Daily Russell 1000 Index Fund	1,072.6	22.2
NTGI Collective Daily Russell 2000 Index Fund	96.2	2.0
TOTAL EQUITY	2,991.8	61.8
OTHER INVESTMENTS		
Alternative Investments	93.9	1.9
Real Estate	244.8	5.1
Cash and Cash Equivalents	110.9	2.3
TOTAL INVESTMENTS	\$4,840.7	100.0%

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

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Southfield, MI 48076-3723

248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

November 2, 2010

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

Attention: Mr. Richard Ingram

Dear Board Members:

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

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

The financial objective is addressed within the biennial actuarial valuation. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over 26 years.

The most recent valuation was completed based upon population data, asset data, and plan provisions as of June 30, 2010. Contributions are established bi-annually for a two year period. The June 30, 2009 actuarial report establishes the contribution requirements for Fiscal Years 2012 and 2013. The June 30, 2010 actuarial report is an interim valuation that estimates the contribution requirements for Fiscal Years 2014 and 2015. The final employer rates for Fiscal Years 2014 and 2015 will be computed in the June 30, 2011 actuarial valuation.

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

The Board of Trustees
December 1, 2010
Page 2

- 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
- 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.

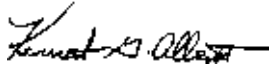
Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering 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, 2005 Experience Study (which was performed by the prior actuary).

The July 1, 2010 post retirement COLA was funded by a transfer from the Special Account. There were no other changes in plan provisions that affected our cost estimates. The interest rate assumption for the post-retirement health valuations was decreased from 8.5% to 4.5% for the June 30, 2010 valuation to reflect the projected pay-as-you-go status resulting from the VCP asset transfer from the 401(h) account to the Special Account.

We certify that the information contained in the June 30, 2010 interim actuarial valuation report of the NHRS is accurate and fairly presents the actuarial position of the New Hampshire Retirement System as of June 30, 2010. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

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

Respectfully submitted,



Kenneth G. Alberts



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

KGA:lr

Gabriel Roeder Smith & Company

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

The actuarial methods and assumptions that were used in the development of the June 30, 2009 actuarial valuation are as follows. The June 30, 2009 actuarial valuation will be used to determine employer contributions for the fiscal years ended June 30, 2012 and June 30, 2013.

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 30 years from the contribution effective date of July 1, 2009.

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

DEVELOPMENT OF AMORTIZATION PAYMENT

The employer contribution rate determined by the June 30, 2009 valuation will not be effective until two years after the valuation date. The unfunded actuarial accrued liability (UAAL) was determined using the funding value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL amortization payment (one component of the contribution requirement), is the level percent of pay required to fully amortize the UAAL over a 30 year period beginning on July 1, 2009. This UAAL payment reflects any payments expected to be made between the valuation date and the date contributions determined by this report are scheduled to begin. It was assumed that the entire pension contribution as calculated in the June 30, 2007 valuation would be contributed to the net pension assets.

ECONOMIC ASSUMPTIONS

The investment return rate assumed in the valuation is 8.50% per year, compounded annually (net after investment expenses). The investment return rate assumed in the health valuations is 4.50% per year, compounded annually (net after investment expenses).

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

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

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

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

Pay increase assumptions for individual active members are shown for sample ages on pages 73–76. Part of the assumption for each age is for merit and/or seniority increase, and the other 4.50% recognizes wage inflation, including price inflation, productivity increases, and other macro economic forces.

GROUP I—EMPLOYEES

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

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

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

#Withdrawal rates for the first two years of employment are multiplied by 2.0.

*98% are assumed to be ordinary death and 2% are assumed to be accidental death.

**50% are assumed to be ordinary disability and 50% are assumed to be accidental disability.

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

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

DEATHS AFTER RETIREMENT:

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

GROUP I—TEACHERS

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

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

Withdrawal rates for first year of employment are multiplied by 3.0 and for second year of employment are multiplied by 2.0.

* 98% are assumed to be ordinary death and 2% are assumed to be accidental death.

** 92% are assumed to be ordinary disability and 8% are assumed to be accidental disability.

Age	Annual Rate of	
	Normal Retirement	
	Men	Women
60	20.50%	15.00%
61	22.00	18.00
64	25.00	24.00
67	28.00	27.00
70	100.00	100.00

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

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

DEATHS AFTER RETIREMENT:

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

GROUP II — POLICE OFFICERS

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

Age	Withdrawal and Vesting		Death		Disability		Retirement
	Men	Women	Men	Women	Ordinary	Accidental	
20	—	—	.04%	.04%	.00%	.01%	—
25	5.50%	5.50%	.05	.05	.01	.01	—
30	4.50	4.50	.06	.06	.02	.01	—
35	3.50	3.50	.07	.07	.02	.15	—
40	3.00	3.00	.10	.10	.06	.20	—
45	3.00	3.00	.14	.14	.14	.25	27.00%
50	3.00	3.00	.16	.16	.20	.30	30.00
55	2.00	2.00	.24	.24	.36	.35	33.00
60	2.00	2.00	—	—	—	—	27.00
64	—	—	—	—	—	—	27.92
67	—	—	—	—	—	—	29.17
70	—	—	—	—	—	—	100.00

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

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

DEATHS AFTER RETIREMENT:

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

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

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

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

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

DEATHS AFTER RETIREMENT:

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

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

TECHNICAL ASSUMPTIONS

Administrative & Investment Expenses	The investment return assumption is intended to be the return net of investment expenses. Annual administrative expenses are assumed to be equal to the prior year's administrative expenses. Assumed administrative expenses are added to the Normal Cost, and were 0.35% of payroll in the June 30, 2010 valuation.
Benefit Service	Exact fractional service is used to determine the amount of benefit payable.
COLA	None assumed.
Decrement Operation	Disability decrements do not operate during retirement eligibility. Only withdrawal operates in the select withdrawal period.
Decrement Timing	Normal and early retirement decrements for the Teachers group are assumed to occur at the beginning of the year. All other decrements were assumed to occur mid-year.
Eligibility Testing	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Forfeitures	None.
Gain Sharing	When the plan becomes 85% funded, current statutes provide that 100% of investment return above 10.5% is to be transferred to the Special Account. Projections based on valuation assumptions suggest that this may begin to occur in approximately 2030. This effect was not included in the valuation and was judged to be small due to the length of time before gain sharing occurs. This is based upon current statutes.
Incidence of Contributions	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll at the time contributions are made.
Liability Adjustments	Normal, early, and vesting retirement liabilities are increased by 7.5%, 8.5%, 10.6%, and 11.2% for Employees, Teachers, Police, and Fire respectively to account for lump sum payments.
Marriage Assumption	Group I: 80% of males and 80% of females are assumed to be married for purposes of death-in-service benefits. Group II: 50% of males and 50% of females are assumed to be married for purposes of death-in-service and death after retirement benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.
Normal Form of Benefit	Group I: The assumed normal form of benefit is a straight life benefit. Group II: The assumed normal form of benefit is straight life for single members and joint and 50% survivor for married members.
Pay Increase Timing	Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
Service Credit Accruals	It is assumed that members accrue one year of service credit per year.

The following 4 tables summarize the actuarial valuation data for the period from 2003 through 2010. 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
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%
2003	26,371	798,241	30,270	9.23%

RETIRED MEMBERSHIP DATA

FISCAL YEAR	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR		TOTAL ANNUAL ALLOWANCES	% INCREASE IN ANNUAL ALLOWANCES
	NO.*	AVERAGE** ANNUAL ALLOWANCES (IN DOLLARS)	NO.*	AVERAGE** ANNUAL ALLOWANCES (IN DOLLARS)	NO.*	AVERAGE** ANNUAL ALLOWANCES (IN DOLLARS)		
2010	1,070	\$17,103	460	\$10,052	12,802	\$12,208	\$156,292	9.59%
2009	934	15,742	322	12,000	12,192	11,697	142,616	8.23%
2008	1,083	16,525	362	11,599	11,580	11,380	131,777	11.60%
2007	1,465	15,489	579	9,449	10,859	10,874	118,079	17.07%
2005	1,620	11,841	739	8,081	9,973	10,113	100,859	18.56%
2003	1,258	10,801	572	7,044	9,092	9,356	85,067	18.11%

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
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%
2003	18,710	799,544	42,734	8.11%

RETIRED MEMBERSHIP DATA

FISCAL YEAR	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR		TOTAL ANNUAL ALLOWANCES	% INCREASE IN ANNUAL ALLOWANCES
	NO.*	AVERAGE** ANNUAL ALLOWANCES (IN DOLLARS)	NO.*	AVERAGE** ANNUAL ALLOWANCES (IN DOLLARS)	NO.*	AVERAGE** ANNUAL ALLOWANCES (IN DOLLARS)		
2010	849	\$26,185	269	\$19,327	9,087	\$21,375	\$194,231	9.61%
2009	1,001	26,641	148	21,716	8,507	20,830	177,199	15.26%
2008	891	26,648	165	25,685	7,654	20,087	153,745	14.53%
2007	1,254	23,405	230	17,409	6,928	19,376	134,240	23.28%
2005	1,121	19,484	344	13,346	5,904	18,444	108,894	24.34%
2003	848	18,762	239	11,444	5,127	17,082	87,580	26.86%

* 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
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%
2003	4,305	196,022	45,534	9.50%

RETIRED MEMBERSHIP DATA

FISCAL YEAR	ADDED TO ROLLS		REMOVED FROM ROLLS			ROLLS END OF YEAR		% INCREASE IN ANNUAL ALLOWANCES
	NO.*	AVERAGE** ANNUAL ALLOWANCES (IN DOLLARS)	NO.*	AVERAGE** ANNUAL ALLOWANCES (IN DOLLARS)	NO.*	AVERAGE** ANNUAL ALLOWANCES (IN DOLLARS)	TOTAL ANNUAL ALLOWANCES	
2010	189	\$40,799	52	\$27,173	2,702	\$32,689	\$88,327	7.68%
2009	157	46,083	28	22,393	2,565	31,980	82,029	8.76%
2008	179	47,508	36	38,222	2,436	30,961	75,421	10.44%
2007	361	38,906	80	19,250	2,293	29,783	68,293	22.42%
2005	308	29,006	83	17,976	2,012	27,728	55,788	17.68%
2003	262	30,164	61	15,918	1,787	26,528	47,406	23.81%

FIREFIGHTERS (aggregate compensation and annual allowance dollars in thousands)**ACTIVE MEMBERSHIP DATA**

FISCAL YEAR	NUMBER OF ACTIVES**	AGGREGATE COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
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 %
2003	1,524	79,072	51,885	10.17 %

RETIRED MEMBERSHIP DATA

FISCAL YEAR	ADDED TO ROLLS		REMOVED FROM ROLLS			ROLLS END OF YEAR		% INCREASE IN ANNUAL ALLOWANCES
	NO.*	AVERAGE** ANNUAL ALLOWANCES (IN DOLLARS)	NO.*	AVERAGE** ANNUAL ALLOWANCES (IN DOLLARS)	NO.*	AVERAGE** ANNUAL ALLOWANCES (IN DOLLARS)	TOTAL ANNUAL ALLOWANCES	
2010	53	\$46,981	36	\$21,278	1,254	\$34,454	\$43,205	4.16%
2009	60	43,800	23	28,000	1,237	33,533	41,481	5.02%
2008	63	54,857	31	35,806	1,200	32,914	39,497	6.31%
2007	131	56,519	24	44,417	1,168	31,807	37,151	20.57%
2005	128	34,320	66	19,545	1,061	29,041	30,813	15.83%
2003	142	33,430	49	21,776	999	26,629	26,602	30.26%

* 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.

TOTAL OF ALL GROUPS

(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)
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%

EMPLOYEES

(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)
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%

TEACHERS

(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)
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 an 8.5% interest rate for fiscal years 2005 and later and a 9% interest rate for fiscal years prior to 2005.

POLICE OFFICERS

(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)
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%

FIREFIIGHTERS

(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)
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 an 8.5% interest rate for fiscal years 2005 and later and a 9% interest rate for fiscal years prior to 2005.

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

RECONCILIATION OF EMPLOYER NORMAL RATE *

EMPLOYEES

YEAR ENDED	June 30 2009	June 30 2007	June 30 2005	June 30 2003	June 30 2001
Projected Normal Rate*	9.09%	8.74%	6.06%	5.12%	4.14%
Decremental Experience	—	—	.02	.08	.13
Pensioner's Experience	—	—	.02	.04	.03
Excess Salary Increases	—	—	(.01)	(.02)	—
Method Change	—	0.98	—	—	—
Effect of Legislation	(0.15%)	(0.57)	—	—	—
Asset (Gains)/Losses	1.18%	(0.36)	.79	.65	.20
Current New Entrants	—	—	.04	—	(.05)
Amendments	—	—	—	.08	—
Target Rate System Experience	—	—	1.03	—	—
Assumption Changes	—	0.41	.39	.06	.72
Other (Gains)/Losses	0.59%	(0.11)	.40	.05	(.05)
ACTUAL NORMAL RATE	10.71%	9.09%	8.74%	6.06%	5.12%

TEACHERS

YEAR ENDED	June 30 2009	June 30 2007	June 30 2005	June 30 2003	June 30 2001
Projected Normal Rate *	9.38%	8.93%	4.67%	3.44%	3.97%
Decremental Experience	—	—	(.01)	(.04)	.04
Pensioner's Experience	—	—	—	.03	.01
Excess Salary Increases	—	—	.09	.11	(.10)
Method Change	—	0.82	—	—	—
Effect of Legislation	—	(0.72)	—	—	—
Asset (Gains)/Losses	1.55%	(0.46)	1.52	1.03	.25
Current New Entrants	—	—	.02	—	(.07)
Amendments	—	—	—	.02	—
Target Rate System Experience	—	—	1.14	—	—
Assumption Changes	—	0.80	.90	(.10)	(.70)
Other (Gains)/Losses	0.58%	0.01	.60	.18	.04
ACTUAL NORMAL RATE	11.51%	9.38%	8.93%	4.67%	3.44%

* 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 2009	June 30 2007	June 30 2005	June 30 2003	June 30 2001
Projected Normal Rate *	17.34%	18.21%	12.33%	10.47%	8.20%
Decremental Experience	—	—	.38	.32	.32
Pensioner's Experience	—	—	.01	.05	.04
Excess Salary Increases	—	—	(.12)	—	.37
Method Change	—	1.11	—	—	—
Effect of Legislation	—	(2.17)	—	—	—
Asset (Gains)/Losses	2.89%	(0.90)	1.85	1.69	.60
Current New Entrants	—	—	.16	—	(.06)
Amendments	—	—	—	.28	—
Target Rate System Experience	—	—	1.47	—	—
Assumption Changes	—	0.31	2.08	(.55)	1.24
Other Asset (Gains)/Losses	2.69%	0.78	.05	.07	(.24)
ACTUAL NORMAL RATE	22.92%	17.34%	18.21%	12.33%	10.47%

FIREFIIGHTERS

YEAR ENDED	June 30 2009	June 30 2007	June 30 2005	June 30 2003	June 30 2001
Projected Normal Rate *	22.52%	24.49%	16.31%	14.41%	10.17%
Decremental Experience	—	—	.04	.22	.38
Pensioner's Experience	—	—	(.06)	(.06)	.12
Excess Salary Increases	—	—	.17	.36	.57
Method Change	—	2.48	—	—	—
Effect of Legislation	—	(2.61)	—	—	—
Asset (Gains)/Losses	3.24%	(1.05)	2.23	2.29	.67
Current New Entrants	—	—	.14	(.10)	(.06)
Amendments	—	—	—	.33	—
Target Rate System Experience	—	—	6.22	—	—
Assumption Changes	—	0.21	(.32)	(1.48)	2.67
Other Asset (Gains)/Losses	2.49%	(1.00)	(.24)	.34	(.11)
ACTUAL NORMAL RATE	28.25%	22.52%	24.49%	16.31%	14.41%

* Based on forecast valuations.

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

1—GENERAL

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

2—BENEFITS

GROUP I MEMBERS (EMPLOYEES AND TEACHERS)

Service Retirement

Eligibility	Age 60 years.
Amount of Benefit	A member annuity equal to the actuarial equivalent of the member's accumulated contributions plus a state annuity. Prior to the member's attainment of age 65, the state annuity, together with the member annuity, shall be equal to 1/60 of AFC multiplied by years of service. After attainment of age 65, the state annuity, together with the member annuity, shall be equal to 1/66 of AFC multiplied by years of service.

Reduced Service Retirement

Eligibility	Age plus service of at least 70, provided the member has at least 20 years of service or age 50 with at least 10 years of service.
Amount of Benefit	Service retirement benefit is reduced by the following percents for each month that benefits commence prior to age 60.

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

Ordinary Disability Retirement

Eligibility	10 years of service and permanent disability.
Amount of Benefit	Service retirement benefit if age 60, otherwise a member annuity plus a state annuity which together equals 1.5% of AFC multiplied by the number of years of creditable service at the time of disability; provided that the benefit shall not be less than 25% of AFC.

Accidental Disability Retirement

Eligibility	Permanently disabled due to accident occurring while in the performance of duty.
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Amount of Benefit	Service retirement benefit if age 60, otherwise a member annuity plus a state annuity which together equals 50% of AFC; provided that the benefit shall not be less than 50% of AFC.
Ordinary Death Benefit	
Eligibility	Death, other than accidental death.
Amount of Benefit	<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>
Accidental Death Benefit	
Eligibility	Accidental death occurring while in the performance of duty.
Amount of Benefit	Benefit equal to 50% of AFC.
Vested Deferred Retirement	
Eligibility	10 years of service, if no withdrawal of contributions.
Amount of Benefit	Payable at age 60, a member annuity plus a state annuity which together equals the service retirement benefit that would be payable after age 60. The benefit changes at age 65 as for service retirement. At any time after attainment of age 50, a member may have his benefit commence early, however, the benefit will be reduced for early commencement using the same early retirement reduction factors as described under reduced service retirement.
Return of Members' Contributions	
	<p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>
Special Provisions Applicable to Certain Members Transferred from the Employees' Retirement System of the State of New Hampshire	
	Certain employee members transferred to the New Hampshire Retirement System effective January 1, 1976 have elected to have their benefits calculated on the basis of the provisions of the Predecessor System.

GROUP II MEMBERS (POLICE OFFICERS AND FIREFIGHTERS)

Service Retirement

Eligibility	Age 45 and 20 years service or age 60 if earlier (age 65 before July 1, 1989) regardless of number of years of service.
Amount of Benefit	A member annuity equal to the actuarial equivalent of the member's accumulated contributions plus a state annuity which together with the member annuity is equal to 2-1/2% of AFC times years of service, but not more than 40 years. Effective July 1, 1992, if a member retires on a full service retirement, the minimum annual benefit (prior to reduction for optional form of payment) is \$10,000. The minimum annual benefit is reduced for benefits payable from Social Security and from any public body benefits.

Ordinary Disability Retirement

Eligibility	10 years service and permanent disability.
Amount of Benefit	A member annuity plus a state annuity which together equals the service retirement benefit; provided that the benefit shall not be less than 25% of the member's annual compensation.

Accidental Disability Retirement

Eligibility	Permanent disability occurring while in the performance of duty.
Amount of Benefit	A member annuity as for service retirement plus a state annuity which together with the member annuity is equal to 2/3 of AFC. If a member has completed more than 26-2/3 years of service, then a supplemental disability allowance will also be paid equal to 2-1/2% of AFC multiplied by service in excess of 26-2/3 years but not in excess of 40 years.

Ordinary Death Benefit

Eligibility	Death other than accidental death.
Amount of Benefit	(a) If 10 years service or if eligible for service retirement and, <ul style="list-style-type: none"> (i) if survived by a spouse, 50% of the service retirement benefit payable until death or remarriage. (ii) if no surviving spouse or member designated a beneficiary other than a spouse, a lump sum equal to the greater of \$3,600 or member's annual compensation. (b) If less than 10 years service and not eligible for service retirement, a lump sum equal to the greater of \$3,600 or the member's annual compensation.

Accidental Death Benefit

Eligibility	Accidental death occurring while in the performance of duty.
Amount of Benefit	50% of the annual rate of compensation payable first to spouse until death or remarriage, then to children under age 18 or if no spouse or children, to dependent parent.

Death after Retirement

Eligibility	Retirement Prior to April 1, 1987
Amount of Benefit	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.

Retirement on or after April 1, 1987	
Benefit payable to surviving spouse until death or remarriage equal to 50% of the member's service, ordinary disability or accidental disability retirement allowance if member was married on the date of retirement plus a lump sum. The lump sum shall be equal to:	
If retired prior to July 1, 1988:	\$ 3,600
If retired on or after July 1, 1988:	
If Group II member as of June 30, 1988	\$10,000
If becomes a Group II member after June 30, 1988 and prior to July 1, 1993	\$ 3,600

Special Death Benefit—Old Firefighter's System	
Continuance of duty-connected disability benefits to spouse of deceased retired member payable until death or remarriage.	

Vested Deferred Retirement	
Eligibility	10 years of service, if no withdrawal of contributions.
Amount of Benefit	A benefit determined as for service retirement payable when the member would be age 45 with 20 years of service or age 60 if earlier.

Return of Members' Contributions	
<ul style="list-style-type: none"> (a) Upon termination of service other than for retirement or death, and if vested deferred retirement has not been elected, the member's accumulated contributions are returned to the member. (b) Upon accidental death or upon other death for which no surviving spouse's benefit is payable, the member's accumulated contributions will be paid to the member's beneficiary or estate. (c) Upon death of a member on vested deferred retirement prior to the time benefits commence, the member's accumulated contributions will be paid to the member's beneficiary or estate. (d) Upon death of the survivor of a member retired on accidental disability and his spouse in receipt of the accidental disability survivor benefit, the excess of the member's accumulated contributions at retirement over the benefits received by the member and the spouse will be paid to the beneficiary or estate. (e) Upon death of a retired member (or the survivor of a retired member, if an optional benefit was elected), the excess of accumulated contributions at retirement over the benefits received by the retired member (and, in the case of election of an optional benefit, the benefits received by the survivor) will be paid to the beneficiary or estate of the member. 	

Benefits for Call Firefighters	
Accidental Disability	Annual benefit not to exceed \$1,250 if permanently disabled while in the performance of duty.

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

3—CONTRIBUTIONS

GROUP I MEMBERS (EMPLOYEES AND TEACHERS)

By Members	State employees who were hired prior to July 1, 2009 and employees of political subdivision employers: 5.0% of earnable compensation. State employees who are hired on or after July 1, 2009: 7.0% of earnable compensation.
By Local Employer	
For Employee Members	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.

GROUP II MEMBERS (POLICE OFFICERS AND FIREFIGHTERS)

By Members	
Police Officers and Firefighters	9.30% 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.

OPEB PLAN PROVISIONS

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

	Monthly Amounts	
	Pre-65	Post-65
Single	\$375.56	\$236.84
Couple	\$751.12	\$473.68

The above amounts will increase by July 1 each year in accordance with the following table:

July 1	Annual Increase %
2008	0%
2009	0%
2010	0%
2011	0%
2012 and after	4%

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.

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. Fiscal year 2009 proved to be the worst year the NHRS has ever experienced due to the economic crisis and recession of 2008-2009. The 12.9% investment return for fiscal year 2010 recovered some of the losses experienced in 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 336% over the decade and member contributions to the pension plan have risen 99% over the same period. Pension benefits rose 176% 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 and declined for fiscal year 2010. The number of participating employers remains stable.

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

(in thousands)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Additions:					
Employer Contributions	\$ 269,677	\$196,214	\$188,197	\$ 120,438	\$109,372
Member Contributions	149,512	142,528	157,985	272,369	147,821
Net Investment Income (Loss)	546,492	(962,057)	(284,095)	769,701	417,927
Postemployment Medical Plan Transfers on Behalf of Employers	—	—	—	58,201	61,449
Net Asset Transfers	89,505	—	—	295,392	—
Other	(1,292)	622	1,721	86	745
Total Additions to Plan Net Assets	\$1,053,894	(\$622,693)	\$ 63,808	\$1,516,187	\$737,314
Deductions:					
Pension Benefits	\$ 490,075	\$ 452,380	\$391,929	\$ 344,851	\$316,637
Refunds of Contributions	21,851	24,204	32,297	34,080	29,382
Net Asset Transfers	—	—	—	—	—
Administrative Expense	6,391	6,968	6,691	5,607	4,799
Professional Fees	1,205	1,372	1,382	665	965
Other	1,776	2,331	1,910	1,775	1,807
Total Deductions from Plan Net Assets	\$ 521,298	\$ 487,255	\$434,209	\$ 386,978	\$353,590
Change in Plan Net Assets	\$ 532,596	(\$1,109,948)	(\$370,401)	\$1,129,209	\$383,724

	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Additions:					
Employer Contributions	\$ 89,459	\$ 80,557	\$ 59,172	\$ 57,558	\$ 56,339
Member Contributions	145,706	129,087	117,412	103,211	93,999
Net Investment Income (Loss)	373,602	500,511	47,862	(288,289)	(330,304)
Postemployment Medical Plan Transfers on Behalf of Employers	43,595	43,083	29,305	25,958	18,317
Net Asset Transfer	—	—	—	—	—
Other	1,198	817	890	1,894	5,243
Total Additions to Plan Net Assets	\$653,560	\$754,055	\$254,641	(\$ 99,668)	(\$156,406)
Deductions:					
Pension Benefits	\$291,915	\$267,007	\$244,725	\$224,412	\$200,116
Refunds of Contributions	19,991	16,781	15,223	15,278	16,979
Net Asset Transfers	—	—	—	160,374	64,437
Administrative Expense	4,314	4,924	4,619	4,263	4,074
Professional Fees	705	625	606	389	576
Other	3,313	2,003	1,830	811	601
Total Deductions from Plan Net Assets	\$320,238	\$291,340	\$267,003	\$405,527	\$286,783
Change in Plan Net Assets	\$333,322	\$462,715	(\$ 12,362)	(\$505,195)	(\$443,189)

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

(in thousands)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Additions:					
Employer Contributions	\$ 8,143	\$18,707	\$17,369	\$ 18,078	\$20,891
Net Investment Income (Loss)	12,876	(21,012)	(5,895)	40,736	23,545
Net Asset Transfers	—	—	—	—	—
Other	(30)	14	36	2	75
Total Additions to Plan Net Assets	\$ 20,989	(\$ 2,291)	\$11,510	\$ 58,816	\$44,511
Deductions:					
Benefits Paid	\$ 15,916	\$15,688	\$15,229	\$ 13,672	\$12,374
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	—	—	—	18,078	20,891
Net Asset Transfers	89,505	—	—	160,377	—
Administrative Expense	151	152	139	295	277
Professional Fees	28	30	29	25	87
Other	42	51	40	90	135
Total Deductions from Plan Net Assets	\$105,642	\$15,921	\$15,437	\$192,537	\$33,764
Change in Plan Net Assets	(\$ 84,653)	(\$18,212)	(\$ 3,927)	(\$133,721)	\$10,747
	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Additions:					
Employer Contributions	\$14,834	\$15,148	\$ 8,011	\$ 7,640	\$ 5,974
Net Investment Income (Loss)	21,638	30,096	2,435	(17,495)	(17,294)
Net Asset Transfers	1,678	1,688	1,551	35,130	11,272
Other	129	95	81	227	426
Total Additions to Plan Net Assets	\$38,279	\$47,027	\$12,078	\$25,502	\$ 378
Deductions:					
Benefits Paid	\$11,209	\$10,104	\$ 8,997	\$ 8,053	\$ 6,938
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	14,834	15,148	8,011	7,640	5,974
Net Asset Transfers	—	—	—	—	—
Administrative Expense	261	309	165	465	315
Professional Fees	60	52	28	34	36
Other	106	22	15	73	48
Total Deductions from Plan Net Assets	\$26,470	\$25,635	\$17,216	\$16,265	\$13,311
Change in Plan Net Assets	\$11,809	\$21,392	(\$ 5,138)	\$ 9,237	(\$12,933)

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

(in thousands)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Additions:					
Employer Contributions	\$13,614	\$22,998	\$22,887	\$ 17,791	\$19,857
Net Investment Income (Loss)	2,662	(3,701)	(1,151)	15,294	9,948
Net Asset Transfers	—	—	—	—	—
Other	(6)	2	7	—	—
Total Additions to Plan Net Assets	\$16,270	\$19,299	\$21,743	\$ 33,085	\$29,805
Deductions:					
Benefits Paid	\$26,779	\$24,489	\$21,018	\$ 17,260	\$14,575
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	—	—	—	17,791	19,857
Net Asset Transfers	—	—	—	78,362	—
Administrative Expense	31	27	27	109	111
Professional Fees	6	5	5	7	6
Other	9	9	7	33	25
Total Deductions from Plan Net Assets	\$26,825	\$24,530	\$21,057	\$113,562	\$34,574
Change in Plan Net Assets	(\$10,555)	(\$ 5,231)	\$ 686	(\$ 80,477)	(\$ 4,769)

	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Additions:					
Employer Contributions	\$11,135	\$11,741	\$10,423	\$ 9,862	\$ 9,758
Net Investment Income (Loss)	9,726	14,654	1,047	(9,509)	(7,626)
Net Asset Transfers	—	—	—	34,955	16,781
Other	—	—	—	—	—
Total Additions to Plan Net Assets	\$20,861	\$26,395	\$11,470	\$35,308	\$18,913
Deductions:					
Benefits Paid	\$12,350	\$10,591	\$ 8,747	\$ 7,235	\$ 5,536
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	11,135	11,741	10,423	9,862	9,758
Net Asset Transfers	—	—	—	—	—
Administrative Expense	112	141	132	24	13
Professional Fees	9	11	14	8	9
Other	39	8	5	15	1
Total Deductions from Plan Net Assets	\$23,645	\$22,492	\$19,321	\$17,144	\$15,317
Change in Plan Net Assets	(\$ 2,784)	\$ 3,903	(\$ 7,851)	\$18,164	\$ 3,596

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

(in thousands)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Additions:					
Employer Contributions	\$ 404	\$12,381	\$11,420	\$11,858	\$11,102
Net Investment Income (Loss)	6,239	(8,466)	(1,632)	13,254	8,779
Net Asset Transfers	—	—	—	—	—
Other	(15)	1,023	449	942	983
Total Additions to Plan Net Assets	\$6,628	\$ 4,938	\$10,237	\$26,054	\$20,864
Deductions:					
Benefits Paid	\$ 7,009	\$ 6,496	\$ 5,732	\$ 4,880	\$ 4,003
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	—	—	—	11,858	11,102
Net Asset Transfers	17,482	—	—	27,805	—
Administrative Expense	73	61	38	94	97
Professional Fees	14	12	8	8	5
Other	20	21	11	29	23
Total Deductions from Plan Net Assets	\$24,598	\$ 6,590	\$ 5,789	\$44,674	\$15,230
Change in Plan Net Assets	(\$17,970)	(\$ 1,652)	\$ 4,448	(\$18,620)	\$ 5,634
	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Additions:					
Employer Contributions	\$ 8,957	\$ 8,126	\$5,456	\$ 5,825	\$ 2,585
Net Investment Income (Loss)	8,728	13,532	860	(7,533)	(1,906)
Net Asset Transfers	—	—	—	90,289	36,384
Other	906	736	730	100	—
Total Additions to Plan Net Assets	\$18,591	\$22,394	\$7,046	\$88,681	\$37,063
Deductions:					
Benefits Paid	\$ 3,432	\$ 2,866	\$2,294	\$ 1,659	\$ 596
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	8,957	8,126	5,456	5,825	2,585
Net Asset Transfers	—	—	—	—	—
Administrative Expense	90	123	122	22	3
Professional Fees	7	10	13	5	2
Other	31	7	5	9	—
Total Deductions from Plan Net Assets	\$12,517	\$11,132	\$ 7,890	\$ 7,520	\$ 3,186
Change in Plan Net Assets	\$ 6,074	\$11,262	(\$ 844)	\$81,161	\$33,877

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

(in thousands)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Additions:					
Employer Contributions	\$10,399	\$11,150	\$10,030	\$10,474	\$9,599
Net Investment Income (Loss)	—	—	—	—	—
Net Asset Transfers	17,482	—	—	—	—
Other	—	—	—	—	—
Total Additions to Plan Net Assets	\$27,881	\$11,150	\$10,030	\$10,474	\$9,599
Deductions:					
Benefits Paid	\$10,171	\$10,926	\$11,266	\$10,941	\$10,687
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	—	—	—	10,474	9,599
Net Asset Transfers	—	—	—	28,848	—
Administrative Expense	—	—	—	—	—
Professional Fees	—	—	—	—	—
Other	—	1,017	439	942	983
Total Deductions from Plan Net Assets	\$10,171	\$11,943	\$11,705	\$51,205	\$21,269
Change in Plan Net Assets	\$17,710	(\$ 793)	(\$ 1,675)	(\$40,731)	(\$11,670)

	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Additions:					
Employer Contributions	\$8,669	\$ 8,068	\$ 5,415	\$2,631	\$ —
Net Investment Income (Loss)	—	—	—	—	—
Net Asset Transfers	—	—	—	—	—
Other	—	—	—	—	—
Total Additions to Plan Net Assets	\$8,669	\$ 8,068	\$ 5,415	\$2,631	\$ —
Deductions:					
Benefits Paid	\$10,211	\$ 8,931	\$ 7,869	\$7,062	\$ —
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	8,669	8,068	5,415	2,631	—
Net Asset Transfers	—	—	—	—	—
Administrative Expense	—	—	—	—	—
Professional Fees	—	—	—	—	—
Other	906	736	730	100	—
Total Deductions from Plan Net Assets	\$19,786	\$17,735	\$14,014	\$9,793	\$ —
Change in Plan Net Assets	(\$11,117)	(\$ 9,667)	(\$ 8,599)	(\$7,162)	\$ —

SCHEDULES OF BENEFIT PAYMENTS BY TYPE

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

(in thousands)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Type of Benefit					
Age and Service Benefits:					
Service Retirement	\$270,523	\$249,909	\$216,344	\$190,973	\$176,207
Early Retirement	138,643	125,471	101,286	86,655	78,718
Survivors	27,079	25,160	21,961	19,915	18,438
Vested Deferred	18,063	17,042	18,573	16,054	14,064
Other	5,882	5,040	5,546	3,959	3,163
Death in Service Benefit	1,326	2,000	2,396	2,456	2,383
Disability Benefits					
Duty Related	18,682	18,043	16,869	16,198	15,575
Non Duty Related	8,312	8,261	7,567	7,253	6,753
Survivors	1,565	1,454	1,387	1,388	1,336
Total Benefits	\$490,075	\$452,380	\$391,929	\$344,851	\$316,637
Type of Refund					
Separation	\$ 18,580	\$ 20,364	\$ 29,613	\$ 31,502	\$ 26,630
Death	3,271	3,840	2,684	2,578	2,752
Total Refunds	\$ 21,851	\$ 24,204	\$ 32,297	\$ 34,080	\$ 29,382

	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Type of Benefit					
Age and Service Benefits:					
Service Retirement	\$164,415	\$152,955	\$140,988	\$131,838	\$119,877
Early Retirement	71,299	62,194	54,024	47,064	40,336
Survivors	16,908	15,234	13,507	12,391	10,603
Vested Deferred	12,373	11,022	9,616	8,603	7,406
Other	2,284	1,498	1,407	1,227	1,108
Death in Service Benefit	2,134	2,549	4,620	3,740	3,139
Disability Benefits					
Duty Related	14,785	14,246	13,506	12,816	11,695
Non Duty Related	6,452	6,200	6,012	5,730	5,017
Survivors	1,265	1,109	1,045	1,003	935
Total Benefits	\$291,915	\$267,007	\$244,725	\$224,412	\$200,116
Type of Refund					
Separation	\$ 16,992	\$ 16,781	\$ 15,278	\$ 16,979	\$ 16,979
Death	2,999	—	—	—	—
Total Benefits	\$ 19,991	\$ 16,781	\$ 15,278	\$ 16,979	\$ 16,979

**BENEFIT AND REFUND DEDUCTIONS BY TYPE —
GROUP II POLICE OFFICER & FIREFIGHTER OPEB PLAN
LAST TEN FISCAL YEARS**

(in thousands)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Type of Benefit					
Medical Subsidy Payments	\$15,916	\$15,688	\$15,229	\$13,672	\$12,374
Total Benefits	\$15,916	\$15,688	\$15,229	\$13,672	\$12,374

	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Type of Benefit					
Medical Subsidy Payments	\$11,209	\$10,104	\$ 8,997	\$ 8,053	\$ 6,938
Total Benefits	\$11,209	\$10,104	\$ 8,997	\$ 8,053	\$ 6,938

**BENEFIT AND REFUND DEDUCTIONS BY TYPE —
GROUP I TEACHERS OPEB PLAN
LAST TEN FISCAL YEARS**

(in thousands)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Type of Benefit					
Medical Subsidy Payments	\$26,779	\$24,489	\$21,018	\$17,260	\$14,575
Total Benefits	\$26,779	\$24,489	\$21,018	\$17,260	\$14,575

	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Type of Benefit					
Medical Subsidy Payments	\$12,350	\$10,591	\$ 8,747	\$ 7,235	\$ 5,536
Total Benefits	\$12,350	\$10,591	\$ 8,747	\$ 7,235	\$ 5,536

**BENEFIT AND REFUND DEDUCTIONS BY TYPE —
GROUP I POLITICAL SUBDIVISION EMPLOYEES OPEB PLAN
LAST TEN FISCAL YEARS**

(in thousands)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Type of Benefit					
Medical Subsidy Payments	\$7,010	\$6,496	\$5,732	\$4,880	\$4,003
Total Benefits	\$7,010	\$6,496	\$5,732	\$4,880	\$4,003

	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Type of Benefit					
Medical Subsidy Payments	\$3,432	\$2,866	\$2,294	\$1,659	\$ 596
Total Benefits	\$3,432	\$2,866	\$2,294	\$1,659	\$ 596

**BENEFIT AND REFUND DEDUCTIONS BY TYPE —
GROUP I STATE EMPLOYEES OPEB PLAN
LAST TEN FISCAL YEARS**

(in thousands)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Type of Benefit					
Medical Subsidy Payments	\$10,170	\$10,926	\$11,266	\$10,941	\$10,687
Total Benefits	\$10,170	\$10,926	\$11,266	\$10,941	\$10,687

	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Type of Benefit					
Medical Subsidy Payments	\$10,211	\$8,931	\$ 7,869	\$ 7,062	\$ —
Total Benefits	\$10,211	\$8,931	\$ 7,869	\$ 7,062	\$ —

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SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

SCHEDULE OF RETIRED AND VESTED MEMBERS BY TYPE OF BENEFITS AS OF JUNE 30, 2010 PENSION PLAN

Amount of Monthly Benefit	Number of Retirees	Type of Retirement*						
		1	2	3	4	5	6	7
EMPLOYEES								
\$1-500	4,160	3,427	48	2	5	—	504	174
501-1,000	3,905	2,968	249	140	7	2	348	191
1,001-1,500	2,446	1,751	63	223	5	4	132	268
1,501-2,000	1,354	1,052	18	74	4	2	68	136
2,001-2,500	746	621	4	21	—	2	49	49
2,501-3,000	446	387	2	7	1	1	33	15
3,001-3,500	243	228	1	1	—	—	11	2
3,501-4,000	164	156	1	1	—	—	5	1
Over 4,000	174	170	1	—	1	—	2	—
Totals	13,638	10,760	387	469	23	11	1,152	836
TEACHERS								
\$1-500	1,078	927	—	—	—	—	58	93
501-1,000	1,432	1,210	48	—	1	—	92	81
1,001-1,500	1,603	1,186	67	5	4	—	75	266
1,501-2,000	1,501	1,317	21	6	4	1	51	101
2,001-2,500	1,466	1,347	16	5	—	1	42	55
2,501-3,000	1,159	1,115	5	1	2	—	31	5
3,001-3,500	813	798	1	—	1	—	13	—
3,501-4,000	398	387	—	—	1	—	10	—
Over 4,000	238	234	—	—	—	—	4	—
Totals	9,688	8,521	158	17	13	2	376	601
POLICE OFFICERS								
\$1-500	152	112	1	—	—	2	29	8
501-1,000	285	148	5	—	—	2	119	11
1,001-1,500	293	165	20	12	—	2	82	12
1,501-2,000	292	181	18	38	—	1	34	20
2,001-2,500	352	249	6	74	—	2	13	8
2,501-3,000	333	241	—	70	—	1	17	4
3,001-3,500	268	227	—	32	1	3	4	1
3,501-4,000	223	201	—	15	—	—	6	1
Over 4,000	569	537	—	27	—	1	4	—
Totals	2,767	2,061	50	268	1	14	308	65
FIREFIGHTERS								
\$1-500	39	22	—	1	—	2	13	1
501-1,000	84	28	1	—	—	—	54	1
1,001-1,500	147	58	7	12	—	5	63	2
1,501-2,000	129	70	8	14	—	2	31	4
2,001-2,500	178	116	3	27	1	3	24	4
2,501-3,000	157	122	2	25	—	—	7	1
3,001-3,500	138	123	1	11	—	1	2	—
3,501-4,000	110	101	—	7	—	1	1	—
Over 4,000	285	266	—	6	1	—	12	—
Totals	1,267	906	22	103	2	14	207	13

* 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*
2,467	230	280	73	759	166	10	1	—	—	174
2,184	162	250	92	746	267	9	4	—	—	191
1,145	100	179	77	469	204	2	2	—	—	268
563	45	120	50	331	106	2	1	—	—	136
277	16	74	35	227	66	1	1	—	—	49
160	13	53	17	127	61	—	—	—	—	15
81	6	31	14	77	32	—	—	—	—	2
51	3	22	11	58	18	—	—	—	—	1
34	3	30	19	60	26	1	1	—	—	—
6,962	578	1,039	388	2,854	946	25	10	—	—	836
516	52	63	23	252	70	4	5	—	—	93
790	128	68	28	271	60	6	—	—	—	81
683	74	101	39	331	108	1	—	—	—	266
616	64	109	45	418	141	1	6	—	—	101
584	48	103	54	443	174	2	3	—	—	55
452	40	106	39	367	145	1	4	—	—	5
342	26	75	31	250	84	1	4	—	—	—
147	19	39	16	129	48	—	—	—	—	—
98	7	22	8	74	29	—	—	—	—	—
4,228	458	686	283	2,535	859	16	22	—	—	601
92	1	6	16	6	23	—	—	—	—	8
213	4	10	12	14	21	—	—	—	—	11
193	15	12	10	16	35	—	—	—	—	12
156	17	8	23	16	51	1	—	—	—	20
161	25	11	44	22	81	—	—	—	—	8
134	18	7	62	15	93	—	—	—	—	4
92	14	1	72	7	81	—	—	—	—	1
73	10	2	47	9	81	—	—	—	—	1
143	13	6	178	11	218	—	—	—	—	—
1,257	117	63	464	116	684	1	—	—	—	65
27	—	2	—	2	7	—	—	—	—	1
74	—	2	1	1	5	—	—	—	—	1
110	11	8	6	5	5	—	—	—	—	2
76	9	6	13	9	12	—	—	—	—	4
89	16	7	22	6	34	—	—	—	—	4
65	9	4	25	11	42	—	—	—	—	1
36	6	2	31	1	62	—	—	—	—	—
32	6	2	22	2	46	—	—	—	—	—
83	12	—	66	3	119	1	1	—	—	—
592	69	33	186	40	332	1	1	—	—	13

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.

**SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFITS AS OF JUNE 30, 2010
OPEB PLANS**

Amount of Monthly Benefit	Number of Retirees	One Person		Two Person	
		Pre 65	Post 65	Pre 65	Post 65
GROUP II POLICE OFFICERS & FIREFIGHTERS					
\$1-500	1,330	370	938	18	4
501-1,000	1,128	108	200	807	13
1,001-1,500	27	6	4	16	1
1,501-2,000	4	1	0	3	0
Over \$2,000	0	0	0	0	0
Total	2,489	485	1,142	844	18
GROUP I TEACHERS OPEB PLAN					
\$1-500	2,955	608	2,326	7	14
501-1,000	1,336	364	394	420	158
1,001-1,500	165	24	18	94	29
1,501-2,000	14	4	0	10	0
Over \$2,000	0	0	0	0	0
Total	4,470	1,000	2,738	531	201
GROUP I POLITICAL SUBDIVISION EMPLOYEES OPEB PLAN					
\$1-500	1,073	141	931	0	1
501-1,000	343	88	141	97	17
1,001-1,500	18	1	1	14	2
1,501-2,000	2	1	0	0	1
Over \$2,000	0	0	0	0	0
Total	1,436	231	1,073	111	21
GROUP I STATE EMPLOYEES OPEB PLAN					
\$1-500	1,821	135	1,649	0	37
501-1,000	372	31	162	147	32
1,001-1,500	3	0	2	0	1
1,501-2,000	1	0	0	1	0
Over \$2,000	0	0	0	0	0
Total	2,197	166	1,813	148	70
TOTAL — OPEB PLANS					
\$1-500	7,179	1,254	5,844	25	56
501-1,000	3,179	591	897	1,471	220
1,001-1,500	213	31	25	124	33
1,501-2,000	21	6	0	14	1
Over \$2,000	0	0	0	0	0
Total	10,592	1,882	6,766	1,634	310

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

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 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.

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 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.

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 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.

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 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.

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

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 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.

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 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.

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 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.

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 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 2007–2010. 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**

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 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 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 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 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.

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

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 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 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 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 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 2007–2010. 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

	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.

GROUP I — TEACHERS

	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.

10-14 yrs.	15-19 yrs.	20-24 yrs.	2010 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

10-14 yrs.	15-19 yrs.	20-24 yrs.	2009 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

10-14 yrs.	15-19 yrs.	20-24 yrs.	2008 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

10-14 yrs.	15-19 yrs.	20-24 yrs.	2007 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

10-14 yrs.	15-19 yrs.	20-24 yrs.	2010 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

10-14 yrs.	15-19 yrs.	20-24 yrs.	2009 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

10-14 yrs.	15-19 yrs.	20-24 yrs.	2008 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

10-14 yrs.	15-19 yrs.	20-24 yrs.	2007 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

	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.			

GROUP I — STATE EMPLOYEES

	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.

10-14 yrs.	15-19 yrs.	20-24 yrs.	2010 25-29 yrs.	30 or more yrs.	Total
\$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

10-14 yrs.	15-19 yrs.	20-24 yrs.	2009 25-29 yrs.	30 or more yrs.	Total
\$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

10-14 yrs.	15-19 yrs.	20-24 yrs.	2008 25-29 yrs.	30 or more yrs.	Total
\$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

10-14 yrs.	15-19 yrs.	20-24 yrs.	2007 25-29 yrs.	30 or more yrs.	Total
\$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

10-14 yrs.	15-19 yrs.	20-24 yrs.	2010 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

10-14 yrs.	15-19 yrs.	20-24 yrs.	2009 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

10-14 yrs.	15-19 yrs.	20-24 yrs.	2008 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

10-14 yrs.	15-19 yrs.	20-24 yrs.	2007 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

Participating Government	As Of June 30, 2010			As Of June 30, 2004**		
	# of Covered Employees	Rank	Percentage of Total System	# of Covered Employees	Rank	Percentage of Total System
State of New Hampshire	11,792	1	23.36%	11,768	1	23.33%
Manchester School District	1,328	2	2.63%	1,396	2	2.77%
SAU 42 (Nashua School District)	1,287	3	2.55%	1,313	3	2.60%
Timberlane School District	671	4	1.33%	645	4	1.28%
Merrimack School District	659	5	1.31%	481	9	0.95%
Concord School District	627	6	1.24%	623	5	1.24%
City of Nashua	612	7	1.21%	603	6	1.20%
SAU 54 (Rochester School District)	599	8	1.19%	588	8	1.17%
Merrimack County	594	9	1.18%	479	10	0.95%
Londonderry School District	582	10	1.15%	593	7	1.18%
All Other*	31,716		62.85%	31,931		63.33%
Total (479 Governments)	50,467		100.00%	50,420		100.00%

*As of June 30, 2010, "All Other" consisted of:

Type	Number	Employees
State Government	4	114
City Governments	12	2,618
Town Governments & Related Entities	244	6,170
County Governments & Related Entities	11	2,780
School Districts & School Administrative Units	198	20,034
Total	469	31,716

**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, 2010 begins on the page 117.

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

Participating Government	As Of June 30, 2010			As Of June 30, 2008**		
	# of Covered Employees	Rank	Percentage of Total OPEB Plan	# of Covered Employees	Rank	Percentage of Total OPEB Plan
State of New Hampshire	595	1	23.91%	620	1	25.83%
City of Manchester	301	2	12.09%	310	2	12.92%
City of Nashua	225	3	9.04%	221	3	9.21%
City of Concord	116	4	4.66%	118	4	4.92%
Town of Salem	100	5	4.02%	98	5	4.08%
City of Portsmouth	87	6	3.49%	80	6	3.33%
City of Dover	62	7	2.49%	61	7	2.54%
City of Keene	55	8	2.21%	50	8	2.08%
Town of Derry	53	9	2.13%	48	9	2.00%
Town of Hampton	48	10	1.93%	48	9	2.00%
All Other*	847		34.03%	746		31.09%
Total (137 Governments)	2,489		100.00%	2,400		100.00%

*As of June 30, 2010, "All Other" consisted of:

Type	Number	Employees
City Governments	7	215
Town Governments & Related Entities	110	538
County Governments & Related Entities	10	94
Total	127	847

**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
CURRENT YEAR AND NINE YEARS AGO**

Participating Government	As Of June 30, 2010			As Of June 30, 2008**		
	# of Covered Employees	Rank	Percentage of Total OPEB Plan	# of Covered Employees	Rank	Percentage of Total OPEB Plan
Manchester School District	522	1	11.68%	464	1	12.57%
SAU 42 (Nashua School District)	390	2	8.72%	304	2	8.24%
Concord School District	197	3	4.41%	181	3	4.91%
Keene School District	165	4	3.69%	147	4	3.98%
Portsmouth School District	149	5	3.33%	142	5	3.85%
Salem School District	117	6	2.62%	90	6	2.44%
Dover School District	102	7	2.28%	85	7	2.30%
Merrimack School District	99	8	2.21%	—	—	—
SAU 54 (Rochester School District)	91	9	2.04%	73	9	1.98%
SAU 10 (Derry Coop School District)	84	10	1.88%	—	—	—
All Other*	2,554		57.14%	2,204		59.73%
Total (172 Governments)	4,470		100.00%	3,690		100.00%

*As of June 30, 2010, "All Other" consisted of:

Type	Number	Employees
School Districts & School Administrative Units	162	2,554
Total	162	2,554

**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
CURRENT YEAR AND NINE YEARS AGO**

Participating Government	As Of June 30, 2010			As Of June 30, 2008**		
	# of Covered Employees	Rank	Percentage of Total OPEB Plan	# of Covered Employees	Rank	Percentage of Total OPEB Plan
City of Concord	74	1	5.15%	71	1	6.08%
Hillsborough County	48	2	3.34%	36	3	3.08%
City of Nashua	45	3	3.13%	37	2	3.17%
Concord School District	35	4	2.44%	27	5	2.31%
Rockingham County	33	5	2.30%	28	4	2.40%
City of Portsmouth	33	5	2.30%	26	6	2.23%
Merrimack County	33	5	2.30%	27	5	2.31%
City of Berlin	30	6	2.09%	28	4	2.40%
Grafton County	29	7	2.02%	26	6	2.23%
City of Keene	28	8	1.95%	27	5	2.31%
All Other*	1,048		72.98%	834		71.48%
Total (216 Governments)	1,436		100.00%	1,167		100.00%

*As of June 30, 2010, "All Other" consisted of:

Type	Number	Employees
City Governments	8	98
Town Governments & Related Entities	65	253
County Governments & Related Entities	8	63
School Districts & School Administrative Units	125	634
Total	206	1,048

**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
CURRENT YEAR AND NINE YEARS AGO**

Participating Government	As Of June 30, 2010			As Of June 30, 2008**		
	# of Covered Employees	Rank	Percentage of Total OPEB Plan	# of Covered Employees	Rank	Percentage of Total OPEB Plan
State of New Hampshire	2,190	1	99.68%	2,320	1	99.70%
New Hampshire Retirement System	7	2	0.32%	7	2	0.30%
Total (5 Governments)	2,197		100.00%	2,327		100.00%

**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 Development Finance Authority E
 Land & Community Heritage Investment Program E
 New Hampshire Retirement System E
 Pease Development Authority E

CITIES AND TOWNS (AND RELATED ENTITIES)

Albany E
 Alexandria E, P
 Allenstown E, P, F
 Allenstown Sewer Commission E
 Alstead P
 Alton E, P, F
 Amherst P, F
 Andover P
 Androscoggin Valley Regional Refuse Disposal Dist. E
 Antrim E, P
 Ashland E, P
 Ashland Electric Department E
 Atkinson E, P
 Auburn E, P, F
 Baker Free Library E
 Barnstead E, P, F
 Barrington E, P
 Bartlett P, F
 BCEP Solid Waste District E
 Bedford E, P, F
 Belmont E, P, F
 Bennington E, P
 Berlin E, P, F
 Berlin Housing Authority E
 Berlin Water Works E
 Bethlehem E, P
 Boscawen E, P

Bow E, P, F
 Bradford P
 Brentwood E, P, F
 Bridgewater P
 Bristol E, P, F
 Brookline E, P, F
 Brookline Public Library E
 Campton E, P
 Campton-Thornton Fire Department F
 Canaan E, P
 Candia P
 Canterbury E, P, 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, P, F
 Dover Housing Authority E
 Dublin E, P

Dunbarton E, P
 Durham E, P, F
 East Kingston E, P, F
 Effingham P
 Eidelweiss Village District E
 Enfield E, P
 Epping E, P, F
 Epsom E, P, F
 Exeter E, P, F
 Farmington P, F
 Fitzwilliam E, P
 Francestown E, P
 Franconia P
 Franklin E, P, F
 Freedom P
 Fremont P
 Gilford E, P, F
 Gilmanton E, P, F
 Goffstown E, P, F
 Goffstown Village Water Precinct E
 Gorham E, P, F
 Goshen E, P
 Grafton E, P
 Grantham E, P
 Greenfield E, P
 Greenland E, P
 Greenville E, P
 Groton E, P
 Hampstead E, P, F
 Hampton E, P, F
 Hampton Falls E, P, F
 Hancock P
 Hanover E, P, F
 Harrisville P
 Haverhill E, P
 Hebron E, P
 Henniker E, P, F
 Hillsborough P, F

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

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

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

Sanbornton Public Library E
 Sandown E, P, F
 Sandwich P
 Seabrook P, F
 Shelburne E
 Somersworth E, P, F
 Somersworth Housing Authority E
 South Hampton P
 Southern NH Planning Commission E
 Springfield E, P
 Stark E
 Stewartstown E, P
 Strafford P
 Stratford E
 Stratham E, P
 Sugar Hill E, P
 Sunapee E, P
 Sutton P
 Swanzey P, F
 SWNH District Fire Mutual Aid E, F
 Tamworth E, P, F
 Thornton E, P
 Tilton E, P
 Tilton/Northfield Fire District E, F
 Troy E, P
 Tuftonboro E, P, F
 Unity E
 Village District of Eastman E
 Wakefield E, P, F
 Walpole E, P
 Warner E, P
 Warner Village Water District E
 Washington E, P
 Waterville Estates Village District E
 Waterville Valley E, P, F
 Weare E, P

Webster E, P
 Weeks Public Library E
 Westmoreland E
 West Ossipee Fire Precinct E
 Whitefield E, P
 Wilmot E, P
 Wilton P
 Winchester E, P
 Windham E, P, F
 Wolfeboro E, P, F
 Woodstock E, P
 Woodsville Fire District E
 Woodsville Water & Light Department E

**COUNTY GOVERNMENTS
 (AND RELATED ENTITIES)**

Belknap County E, P
 Belknap County Conservation District E
 Carroll County E, P
 Cheshire County E, P
 Coos County E, P
 Coos County Nursing Home E
 Grafton County E, P
 Hillsborough County E, P
 Merrimack County E, P
 Rockingham County E, P
 Strafford County E, P
 Sullivan County E, P

SCHOOL DISTRICTS

Academy for Equine Sciences T
 Allentown School District T
 Alton School District E, T
 Amherst School District E, T
 Andover School District E, T
 Ashland School District E, T
 Auburn School District E, T
 Barnstead School District E, T

Barrington School District E, T
 Bartlett School District E, T
 Bath School District E, T
 Bedford School District E, T
 Bethlehem School District E, T
 Bow School District E, T
 Brentwood School District E, T
 Brookline School District T
 Campton School District E, T
 Candia School District E, T
 Chester School District E, T
 Chesterfield School District E, T
 Chichester School District E, T
 Claremont School District E, T
 Cocheco Arts & Technology Academy T
 Colebrook School District T
 Concord School District E, T
 Contoocook Valley Regional School District-SAU 1 E, T
 Conway School District E, T
 Cornish School District E, T
 Croydon School District E, T
 Deerfield School District T
 Dover School District E, T
 Dresden School District E, T
 Dunbarton School District T
 East Kingston School District E, T
 Epping School District E, T
 Epsom School District T
 Errol School District T
 Exeter School District E, T
 Exeter Regional Co-Op School District E, T
 Fall Mountain Regional School District E, T
 Farmington School District E, T
 Franklin School District E, T
 Freedom School District E, T
 Fremont School District E, T

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

Gilford School District E, T	Landaff School District T	Newmarket School District E, T
Gilmanton School District E, T	Lebanon School District E, T	Newport School District E, T
Goffstown School District E, T	Lincoln Woodstock Coop School District E, T	North Country Charter Academy T
Goshen-Lempster School District E, T	Lisbon Regional School District E, T	North Country Education Service E, T
Governor Wentworth Regional School District E, T	Litchfield School District E, T	North Hampton School District E, T
Great Bay eLearning Charter School T	Littleton School District E, T	Northumberland School District E, T
Greenland School District E, T	Londonderry School District E, T	Northwood School District E, T
Hampstead School District E, T	Lyme School District E, T	Nottingham School District E, T
Hampton Falls School District E, T	Lyndeborough School District 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 T	Mascoma Valley Regional School District E, T	Pittsfield School District E, T
Hillsboro-Deering School District E, T	Mason School District 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		

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SAU – School Administrative Unit

Somersworth School District E, T	White Mountains Regional School District E, T	SAU 23 E, T
Souhegan Cooperative School District E, T	Wilton School District E, T	SAU 24 E, T
South Hampton School District E, T	Wilton-Lyndeborough Coop School District E, T	SAU 28 E
Stark School District E, T	Winchester School District E, T	SAU 29 E, T
Stewartstown School District T	Windham School District E, T	SAU 34 E, T
Stoddard School District E, T	Winnacunnet Coop School District E, T	SAU 35 E, T
Strafford School District E, T	Winnisquam Regional Coop School District E, T	SAU 38 E, T
Stratham School District E, T		SAU 39 E
Sunapee School District E, T		SAU 41 E
Tamworth School District E, T		SAU 42 E, T
Thornton School District E, T		SAU 43 E, T
Timberlane Regional School District E, T		SAU 44 E, T
Unity School District E, T		SAU 46 E
Virtual Learning Academy Charter School T		SAU 48 E, T
Wakefield School District E, T		SAU 50 E, T
Warren School District E, T		SAU 53 E, T
Washington School District E, T		SAU 54 E, T
Waterville Valley School District E, T		SAU 55 E
Weare School District T		SAU 56 E, T
Wentworth School District T		SAU 58 E
Westmoreland School District E, T		SAU 63 E, T
		SAU 64 E, T
		SAU 67 E
		SAU 70 E
		SAU 75 E, T

SCHOOL ADMINISTRATIVE UNITS

SAU 2 E, T
SAU 3 E, T
SAU 6 E
SAU 7 E, T
SAU 9 E, T
SAU 10 E, T
SAU 13 E
SAU 15 E, T
SAU 16 E, T
SAU 18 E, T
SAU 19 E, T
SAU 20 E
SAU 21 E, T

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