NEW HAMPSHIRE RETIREMENT SYSTEM

A Component Unit Of The State Of New Hampshire*

Comprehensive Annual
Financial Report
For The Fiscal Year Ended
June 30, 2001

*Please refer to footnote on the title page.

Introductory Section

Cover Photo: Skyline view of the historic town of Exeter, New Hampshire. Photograph taken from the Swasey Parkway overlooking the Squamscott River. Photo courtesy of Barbara Blenk, an employee of the town Exeter.

The New Hampshire Retirement System is proud to have provided retirement services to the town of Exeter's contributing members for the past 34 years. We salute these members for the job do they in providing essential services to the citizens of Exeter.

Layout: Debbie K Graphics, Loudon, NH • 603-783-9812

Comprehensive Annual Financial Report of the New Hampshire Retirement System

A Component Unit of the State of New Hampshire*

For The Fiscal Year Ended
June 30, 2001

Eric Henry
Executive Director

J.P. Singh
Director of Finance

* In accordance with Governmental Accounting Standards Board (GASB) 14, the New Hampshire Retirement System is a component unit of the State of New Hampshire for financial reporting purposes because the State has budget oversight over administrative expenses.

Prepared by
New Hampshire Retirement System
4 Chenell Drive
Concord, New Hampshire 03301-8509
www.state.nh.us/retirement/

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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, 2000

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Anne Spray Kinney
President

Jeffrey L. Esser
Executive Director

Letter From The Chairman

NEW HAMPSHIRE RETIREMENT SYSTEM

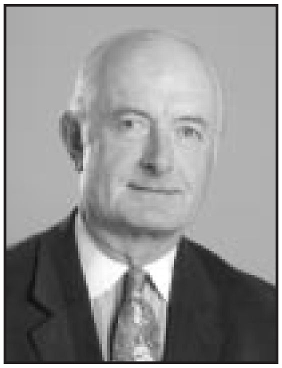
EDWARD J. THEOBALD
Chairman, Board of Trustees
(603) 427-0911

ERIC HENRY
Executive Director

J. P. SINGH
Director of Finance

The Granite State

November 7, 2001



Edward J. Theobald
Chairman
Board of Trustees

To: The Members of the New Hampshire Retirement System

As Chairman of the Board of Trustees of the New Hampshire Retirement System (NHRS), I am pleased to present the audited Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. The report presents the combined assessment of investment results and financial condition of the Pension Plan and the Postretirement Medical Plan. The data contained in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial condition and results of operations of the NHRS.

Each participant of our System deserves the security of well-funded benefit plans. The current funded status of the NHRS, the actuarial procedures adopted by the Board on a continual review basis, and the prudent investment strategies of the Board are all designed to produce this desired result.

The NHRS's diversified investment policy, on balance, continues to be sound. The U.S. economy has suffered over the last fiscal year as evidenced by the overall equity market returns (S&P 500 Composite Index) of –14.8%. The NHRS portfolio is fairly diversified to provide a cushion against such volatility in the capital market. The investment policy adopted by the Board of Trustees is designed to generate competitive total returns on a long-term basis at an acceptable level of risk. The total fund investment return for fiscal year ended June 30, 2001 was –6.7%, which ranks slightly below the median among a universe of 63 other public pension plans. The average annual total fund returns of 6.2% and 10.8% for the past three and five fiscal year periods are ranked in the top quartile of this universe.

The role of the Board of Trustees is to ensure that the financial interest of all plan participants is adequately safeguarded over the long term. To this end, the investment growth over the years has been impressive and employer contribution rates remain reasonable. Using a conservative measurement of the System's funded status as of June 30, 2001, the plan assets are at 88.2% of the System's projected pension liability. A more appropriate measure is the System's accrued pension liability funding status. At June 30, 2001, the plan assets were at 98.4% of the System's accrued pension liability. These funding ratios are indicative of the current status of the economy. However, U.S. economic fundamentals, although weakened in the short-term, continue to offer the strongest prospects for corporate growth on a global basis. Many of the underpinnings that supported the high stock prices, rising productivity, world peace, free flow of capital across the globe are now coming into question. While we recognize that these important factors may be impaired in the short-term, however, over the long-term the strong fundamentals supporting the U.S. economy of historically low interest rates, low inflation, lower taxes, and the possibility of deficit spending will re-energize the U.S. capital market. There is a good prospect of a stronger economic rebound in 2002. As we have observed in the past the U.S. market expansion will eventually help the global markets with some lag. Currently, the equity prices have declined substantially from the bull market highs creating much more attractive valuation levels and an opportunity for bargain hunting.

We are mindful, nevertheless, that the NHRS operates in a dynamic economic environment. The challenges of investing NHRS's funds strategically to achieve above average returns balanced with controlled risk in an increasingly complex and competitive global economy are greater than ever.

The Board strives to minimize the impact of these external influences by diversifying among a broad range of asset classes and by employing active portfolio managers with recognized expertise in managing each of these asset classes. Each manager is expected to outperform appropriate market indices over a full market cycle of three to five years. In addition, the Board continually monitors its operating environment, keeping a watchful eye on regulations, court decisions, and legislation for the effects they may have on the operation of the NHRS.

The Board of Trustees is appreciative of the hard work and continued dedication of the Administrative Staff. The entire Administrative Staff deserves recognition in meeting the Board of Trustees' goal of providing quality service to all the plan participants.

For the year ended June 30, 2001, 15,416 retirees and beneficiaries received pension and medical benefits totaling $213.2 million. There are 51,622 active and inactive members participating in the NHRS.

On an administrative level, the senior management team has made substantial progress on many fronts during the past fiscal year. There is a formal Strategic Business Plan in place which addresses three broad strategic themes:

- Build a foundation to support measurable improvement in member services.
- Maintain a fully funded status.
- Build a learning organization.

There has been substantial progress made during the fiscal year on these broad themes. One major accomplishment is that the staff completed a study of NHRS's business processes. A number of improvements were made as a result of that study in order to enhance operational efficiency. The System has also issued a Request for Proposals for an integrated membership and retirement database and related applications. After an extensive due diligence process, the System has selected a winning vendor and is currently in contract negotiations. The system development life cycle will begin immediately upon the signing of the contract. The overall development process will take approximately three years and will pave the way for future improvements in member services.

I also want to recognize the commitment of my fellow Board members, who have worked so diligently to ensure the successful operation of the NHRS. The Board is keenly aware that many forces will shape and influence the NHRS in the coming years and that we constantly need to stay ready to meet these challenges.

The Board, with help from the System's actuary and investment advisors, has crafted an investment strategy designed to produce above average returns with moderate overall portfolio risk exposure. This has been made possible through the use of the Prudent Investor Rule, which has been in place for over ten years. The Prudent Investor Rule provides a more efficient mandate for proper diversification of investments, an opportunity to achieve above average investment returns on a consistent basis, and allows the System to fulfill the ever-so-important mission: to continue to maintain the financial stability of the NHRS trust fund.

Sincerely,

Edward J. Theobald
Chairman of the Board of Trustees
New Hampshire Retirement System

4 CHENELL DRIVE, CONCORD, NEW HAMPSHIRE 03301-8509
TELEPHONE 271-3351 OFFICE HOURS 8:00-4:00
TDD Access: Relay NH 1-800-735-2964

Board Of Trustees

Back row, left to right: Dennis Kinnan, J. David McLean, Dale Robinson, Andrea Amodeo-Vickery, Joseph Morris, Claire Gervais, William Perron, David Goldstein, Brian Morrissey. Front row, left to right: Senator Beverly Hollingworth, Chairman Edward Theobald, Representative Merton Dyer. Absent when photo was taken: State Treasurer Georgie Thomas.

Administrative Organization

NHRS Board of Trustees

Eric Henry
Executive Director

Professional Serivces
Actuary, Independent Auditors, Legal Advisors, Investment Managers, and Other Professional Service Providers. A detailed list of professional service providers is presented on page 11.

JP Singh
Finance Director

- Finance
- Investments
- Accounting
- Financial Reporting
- External Audit
- Actuarial Valuation

Position Vacant
Member Services Director

- Enrollment
- Contributions
- Purchase of Service
- Retirement Counseling
- Member Reporting
- Member Education
- Annuity
- Health Insurance
- QDRO's

Gerry Fleury
Director, Business Administration

- Budget
- Procurement
- Knowledge Management
- Facilities
- Accounts Payable
- Support Core Businesses
- Other Administration

Cecile Merrill
Chief Information Officer

- Manage Technology Procurement and Implementation
- Leverage Technology
- Align Technology with Core Businesses
- Maintain Technology Infrastructure

Maggie Bahou
Human Resources Director

- Align Human Resources with Core Businesses
- Facilitate Development of Staff Training Programs

Norm Patenaude
Audits and Hearings Director

- Provide Independent Appraisal of NHRS Core Businesses
- Facilitate Development of Strong Internal Control Environment
- Oversee Hearings Function

Professional Managers, Advisors and Service Providers

DOMESTIC EQUITY MANAGERS

Fred M. Alger Management Company
New York, New York

American Express Asset Management Group, Inc.
Minneapolis, Minnesota

Ark Asset Management Company, Inc.
New York, New York

Cutler & Company, Inc.
Medford, Oregon

Dalton, Greiner, Hartman, Maher & Co.
New York, New York

Duncan-Hurst Capital Management
San Diego, California

Hutchens Investment Management, Inc.
New London, New Hampshire

Institutional Capital Corporation
Chicago, Illinois

Invesco Management & Research, Inc.
Boston, Massachusetts

Jennison Associates Capital Corp.
New York, New York

Peachtree Asset Management
Atlanta, Georgia

Zurich Scudder Investments
New York, New York

DOMESTIC FIXED INCOME MANAGERS

Income Research & Management, Inc.
Boston, Massachusetts

State Street Research & Management Company
Boston, Massachusetts

TCW Asset Management Co., Inc.
Los Angeles, California

INTERNATIONAL EQUITY AND FIXED INCOME MANAGERS

Artisan Partners, L.P.
San Francisco, California

Bank of Ireland Asset Management (U.S.) Limited
Greenwich, Connecticut

Brandywine Asset Management, Inc.
Wilmington, Delaware

Montgomery Asset Management, LLC
San Francisco, California

TIMBERFUND MANAGERS

MONY Life Insurance Company
Purchase, New York

UBS Timber Investors
West Lebanon, New Hampshire

ALTERNATIVE INVESTMENT MANAGERS

Allegra Capital Partners III
New York, New York

APA Excelsior IV & V, L.P.
New York, New York

APAX Excelsior VI
New York, New York

Brand Equity Ventures I & II
Greenwich, Connecticut

Castle Harlan Partners II & III, L.P.
New York, New York

Castle Harlan Australian Mezzanine Partners, L.P.
New York, New York

Coral Partners II, IV & V, L.P.
Minneapolis, Minnesota

Crescendo IV, L.P.
Minneapolis, Minnesota

Energy Investors Fund I & II, L.P.
Boston, Massachusetts

Euclid Partners III & IV, L.P.
New York, New York

Euclid SR Partners, L.P.
New York, New York

HEV III US, L.P.
London, England

Lawrence, Tyrell, Ortale & Smith II, L.P.
New York, New York

New England Growth Fund I & II, L.P.
Boston, Massachusetts

North Atlantic Venture Fund II, L.P.
Portland, Maine

Prism Venture Partners I, II & III
Westwood, Massachusetts

RFE Investment Partners VI, L.P.
New Canaan, Connecticut

Richland Ventures I & II, L.P.
Nashville, Tennessee

Schroder German Buy-Outs 1992, L.P.
London, England

Sprout VI, VII & VIII, L.P.
New York, New York

Sterling Venture Partners, LLC
Baltimore, Maryland

TCW/Crescent Mezzanine Partners, L.P.
Los Angeles, California

The Venture Capital Fund of New England III, L.P.
Boston, Massachusetts

Weiss, Peck & Greer Venture Associates V & VI, LLC
San Francisco, California

Zero Stage Capital V, VI & VII, L.P.
Cambridge, Massachusetts

LEGAL ADVISORS

Sheehan, Phinney, Bass & Green, P.A.
Manchester, New Hampshire

Peter Foley, Esquire
Concord, New Hampshire

New Hampshire Department of Justice
Concord, New Hampshire

INDEPENDENT AUDITORS

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Boston, Massachusetts

INVESTMENT ADVISOR

Evaluation Associates, Inc.
Norwalk, Connecticut

ACTUARIAL CONSULTANT

Buck Consultants, Inc.
Secaucus, New Jersey

COMMERCIAL REAL ESTATE CONSULTANT

The Townsend Group
Cleveland, Ohio

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Hart Advisers, Inc.
Simsbury, Connecticut

LaSalle Investment Management
Chicago, Illinois

UBS Realty Investors, LLC
Hartford, Connecticut

COMMERCIAL REAL ESTATE APPRAISER

CB Richard Ellis Inc.
Newport Beach, California

CUSTODIANS

Citizens Bank-NH
(In-state Custodian)
Manchester, New Hampshire

The Northern Trust Company
(Master Custodian)
Chicago, Illinois

COMMISSION BROKERS

Abel/Noser Corporation
New York, New York

BNY ESI and Co.
New York, New York

Donaldson & Co., Inc.
Atlanta, Georgia

Lynch, Jones & Ryan, Inc.
New York, New York

Pension Fund Evaluations, Inc.
Centereach, New York

PROXY SERVICES

Institutional Shareholder Services, Inc.
Rockville, Maryland

INSURANCE

National Union Fire Insurance Co.
Manchester, New Hampshire

Letter Of Transmittal

NEW HAMPSHIRE RETIREMENT SYSTEM

EDWARD J. THEOBALD
Chairman, Board of Trustees
(603) 427-0911

ERIC HENRY
Executive Director

J. P. SINGH
Director of Finance

The Granite State

November 7, 2001

Dear Mr. Chairman and Members of the Board of Trustees:

We are pleased to submit the Comprehensive Annual Financial Report of the New Hampshire Retirement System (NHRS) for the fiscal year ended June 30, 2001. 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 NHRS's management is responsible for the complete and fair presentation of the data and the accompanying disclosures in this report. We believe this report presents fairly the combined assessment of the investment results and the financial condition of the Pension Plan and the Postretirement Medical Plan and fully supports its ultimate purpose of providing pension and medical benefits to its members and their beneficiaries.

The NHRS 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 NHRS 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 participate as a group if the governing body elects participation. In addition, NHRS administers a postretirement medical plan for certain Group I members, (employees of political subdivisions and teachers) and Group II members (police officers and firefighters). A complete description of employees eligible for membership in each plan and additional information concerning benefits available are contained in the Summary of Plan Provisions beginning on page 19.

BUDGET CONTROLS AND NHRS ADMINISTRATION

The administrative budget of the NHRS for the fiscal year 2001 was funded through an administrative assessment rate charged to participating employers, and was proposed by management, approved by the Board of Trustees, submitted under the budget preparation guidelines of the State of New Hampshire, and appropriated by the New Hampshire Legislature.

In accordance with GASB Statement No. 14 guidelines for a reporting entity, the NHRS participated with the State of New Hampshire (State) in reviewing its financial reporting relationship with the primary government and determined that the NHRS is a component unit of the State of New Hampshire.

The NHRS 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, NHRS's Pension Plan is deemed to be a single pension plan. There is a separate benefit plan set up for postretirement healthcare for certain eligible Group I members (employees of political subdivisions and teachers) and Group II members (police officers and firefighters). Effective January 1, 2002 eligible employees of the State will also be covered for postretirement healthcare. The investments for the two plans are pooled together and are prorated between the two plans based on individual fund balances.

NHRS is administered by a 13 member board of trustees, which includes one State Senator, one State Representative, the State Treasurer as an ex-officio member, two employee member representatives, two teacher member representatives, two firefighter member representatives, two police officer member representatives, and two public non-member representatives. The Board of Trustees formulates administrative policies and procedures and authorizes benefit payments to members and their beneficiaries. It also manages the trust funds. The administrative functions of NHRS are directed by the Executive Director and are carried out by the Administrative Staff.

The Board of Trustees employs a qualified consulting actuary, a trustee/custodian, investment managers, and investment advisors. For the fiscal year 2001 the Attorney General of the State of New Hampshire provided legal services, but the Board of Trustees is statutorily authorized to engage the services of outside legal counsel for special investment, federal, and tax matters. Effective July 5, 2001 the Board of Trustees will be statutorily authorized to engage the services of outside legal counsel for all matters.

REPORT STRUCTURE

The Comprehensive Annual Financial Report is presented in five sections. The Introductory Section contains the letter from the Chairman of the Board of Trustees, a letter of transmittal from the Executive Director and the Director of Finance, the identification of the administrative organization, professional consultants, and a summary of plan provisions. The Financial Section contains the independent auditor's report, financial statements and related notes and disclosures, required supplementary information, as well as certain supporting schedules. The Investment Section contains an investment report prepared by the investment consultant, comparative investment results, asset allocations, a list of largest stock and fixed income investments held by the NHRS, a schedule of fees and commissions, and an overall investment summary. The Actuarial Section contains the independent actuary's certification, an outline of actuarial assumptions and methods and other actuarial statistics. The Statistical Section contains tables of significant data and identification of participating employers.

ACCOUNTING SYSTEM AND INTERNAL CONTROL

The Comprehensive Annual Financial Report has been prepared in conformity with the principles of governmental accounting and the most current reporting pronouncements of the Governmental Accounting Standards Board (GASB). The accrual basis of accounting is used to record the assets, liabilities, additions, and deductions. Additions are recognized when earned, without regard to the date of collection, and deductions are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Investments are reported at fair value. All fixed assets are legally the property of the State of New Hampshire and are not included as assets in the System's financial statements.

The management of the 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.

ADDITIONS

The additions required to fund the pension and postretirement medical plan obligations are accumulated from contributions of the primary government, participating employers and members, and through earnings on investments. The combined addition sources are summarized as follows:

SCHEDULE OF ADDITIONS	2001 (in millions)	2000 (in millions)	Change (in millions)
Income from investments	$192.2	$168.5	$ 23.7
Net securities lending income	1.6	2.1	(0.5)
Net appreciation/(depreciation) of investments	(480.9)	421.6	(902.5)
Investment Expenses	(70.0)	(65.7)	(4.3)
Contributions	187.0	166.1	20.9
Other	5.6	6.8	(1.2)
TOTAL	**($164.5)**	**$699.4**	**($863.9)**

Overall, total additions, net of investment expenses, for fiscal year 2001, were lower by $863.9 million from fiscal year 2000. The reasons for the decline in additions were as follows: negative investment performance for investments in domestic and international equity, alternative investments, and substantially lower returns for the commercial real estate asset class. This was partially offset by relatively higher returns for domestic fixed income investments. The investment expenses were higher by $4.3 million from last fiscal year primarily due to the addition of new alternative investments and commercial real estate properties which generally have higher investment management fees compared to the traditional investments in equity and fixed income asset classes. Member and employer contributions increased by $20.9 million and income from investments also increased by $23.7 million over the prior year. The value of net assets held in trust for pension benefits dropped to $4,340.3 million at June 30, 2001, a reduction of approximately $418.6 million from the previous year. For the fiscal year 2001 the NHRS investments generated an annualized time weighted market value rate of return of –6.7% on the total fund, and over the past three years and five years, the average annual investment rate of return was approximately 6.2% and 10.8%, respectively. The fiscal year 2001 investment results reflect the current declining trend in the capital market valuations from the bull market highs of the past several years.

DEDUCTIONS

The combined pension and postretirement medical plan deductions are summarized below:

SCHEDULE OF DEDUCTIONS	2001 (in millions)	2000 (in millions)	Change (in millions)
Payment to beneficiaries	$213.2	$185.6	$27.6
Member withdrawals	17.0	19.5	(2.5)
Administrative expenses	4.4	3.4	1.0
Other	19.5	9.3	10.2
TOTAL	**$254.1**	**$217.8**	**$36.3**

Total deductions and payments for fiscal year 2001 increased by $36.3 million over 2000, primarily due to an increase in benefit payments on account of cost of living allowances, higher health insurance subsidy payments, and a slight increase in the number of retired members. Member withdrawals dropped by $2.5 million which was partially offset by an increase in administrative costs of $1.0 million due to higher compensation related to filling vacant positions, higher benefit costs, and higher costs associated with the overhaul of the NHRS computer systems. Total additions, net of investment expenses, declined in fiscal year 2001 by $164.5 million and when combined with deductions of $254.1 million resulted in a reduction of $418.6 million in net assets held in trust for benefits for fiscal year 2001.

FUNDING STATUS

The funded ratio is one measure of the financial condition of the NHRS. NHRS has adopted an open group aggregate method and there is no funded ratio determined by the actuary as part of that funding method. However, for comparison purposes, we have provided information on plan liabilities as measured by the projected pension liability and the accrued pension liability. The funded ratio is determined by dividing the net assets held in trust for benefits by the projected pension liability. Funds accumulated by the NHRS in order to meet future projected pension liabilities to retirees and/or their beneficiaries are referred to as “net assets held in trust for benefits.” The projected pension liability is the actuarial present value of credited projected benefits (plan liabilities). It is a measure of the present value of the total pension benefits estimated to be payable in the future to both current retirees and/or their beneficiaries, and current members for future service. The funded ratio increases as the net assets held in trust for benefits increase in proportion to the benefits that have been earned by, and therefore are payable to, plan participants. A higher funding ratio gives the participants a greater degree of assurance that their pension benefits are secure.

Presented on pages 70 and 71 is the projected pension liability as of June 30, 2001. The fair value of net assets held in trust for benefits was $3.389 billion net of the Administrative Assessment Account, the Undesignated Special Account and the Account for Medical Insurance Subsidy. The projected pension liability totaled $3.843 billion, resulting in a funded ratio of 88.2% and projected pension liability in excess of the assets of $454 million. For the fiscal year ended June 30, 2000, the funded ratio and assets in excess of projected pension liability was 107.3% and $251 million, respectively. The current funded ratio reflects the impact of the declining market value of assets and an increase in plan liabilities during the fiscal year.

INVESTMENTS

RSA 100-A:15 fully empowers the New Hampshire Retirement System Board of Trustees to invest funds under the "Prudent Investor Rule." This rule requires that fiduciaries shall discharge their duties solely in the interest of the NHRS participants and beneficiaries. In the management of the System assets, the Board of Trustees shall exercise the judgment and care under circumstances then prevailing, that a prudent person acting in like capacity and familiar with such matters, would use in the conduct of a plan of like character and like aims as the System. The Prudent Investor Rule has enabled the NHRS to invest in a broad range of asset classes generally resulting in increased returns at a moderate level of risk achieved through broad diversification.

The current investment guidelines, as set by the Board of Trustees, provide for an acceptable range of holdings in various asset classes. The guidelines provide target allocation objectives of 59% of assets to be invested in common stock, 9% of which may be invested in non-domestic equities; 21% in fixed income securities, of which 3% may be invested in non-domestic bonds; 10% in alternative investments, including investments in timberfunds; and 10% in commercial real estate investments net of third party debt. The Board of Trustees has set specific guidelines related to the third party debt. The third party debt is limited to non-recourse financing only and the ratio of debt to net equity for the entire commercial real estate portfolio shall not exceed 35%. The third party debt is used to further enhance the return on investments and to provide broader diversification to the commercial real estate asset class. The investments are managed by professional investment firms who are fiduciaries to the NHRS and are afforded discretionary investment authority within the investment guidelines established by the Board of Trustees.

NHRS's diversified investment policy, on balance, continues to be sound and is designed to provide a cushion against capital market volatility. The comparative five year annualized returns, and related benchmark indices, for fiscal year 2001 and 2000 are as follows:

COMPARATIVE ANNUAL INVESTMENT RETURNS	FIVE YEARS ENDED JUNE 30	
	2001	2000
Domestic Equity	13.0%	21.7%
S&P 500 Composite Index	14.5%	23.8%
Domestic Fixed Income	7.8%	7.0%
LB-Govt/Credit Index	7.4%	6.1%
International Equity	2.2%	11.3%
MSCI EAFE Index	2.9%	11.3%
Global Bonds	3.4%	4.3%
JP Morgan Government Bond Index	2.8%	3.7%
Commercial Real Estate	13.4%	15.8%
NCREIF Property Index	12.7%	12.1%
Timberfunds and Alternative Investments	16.0%	20.1%

The NHRS's investment policy is designed to generate the best possible total return on a long-term basis at an acceptable level of risk.

ECONOMIC CONDITION AND OUTLOOK

The U.S. economy suffered over fiscal year 2001 as evidenced by an equity market return (S&P 500 Composite index) of –14.8%. Despite continued low inflation, the economy saw an increase in unemployment as well as declining corporate profits. This shift in the economy comes on the heels of a moderate growth, low inflation and full employment environment. For the fiscal year 2001, as measured by the Russell 2000 index, small cap stocks have outperformed the broad market as they have returned 0.7%. For the same period, international equities (MSCI EAFE index) have had a return of –23.6% and suffered due to a continued period of dollar strength. As the U.S. market expansion had helped foreign markets, the weakness in the domestic market has also negatively impacted the global economy. The Federal Reserve has been watching both inflation and economic activity and responded by cutting interest rates very aggressively. Through the end of June 2001, the Fed had lowered both the Fed funds and discount interest rates six times in 2001 totaling 2.75%. The Fed cited concerns such as declining profitability, lower business capital spending, weak expansion of consumer spending and equally deteriorating economic conditions overseas as the backdrop for the rate cuts.

The fixed-income markets in the United States have been driven in two very different directions. short-term interest rates have fallen due to the activity of the Federal Reserve. However, as the market anticipates a rebound in the coming years long-term interest rates have started to rise. This is a typical response to an aggressive rate cutting as the market anticipates future growth and inflation in response to aggressive Fed activity. As the equity market has been weak, investors have flocked to fixed-income securities and bonds have generated positive returns for the year ended June 30, 2001. The spread sectors outperformed the Treasury market led by the declining mortgage interest rates and tightening corporate bond spreads for the year ended June 30, 2001. A year ago, the capital markets were very concerned about the tightness of the labor market and the increase in oil prices. The consequence of this economic slowdown has moved the U.S. economy out of an environment of full employment. OPEC has also responded to global economic uncertainty by attempting to maintain oil at or below $25 a barrel recognizing that over a long period of time, high energy prices could plunge the global economy into a deep recession.

The change in the Administration in Washington has also brought a pronounced change in the management of the Federal budget. The outgoing Administration had been focused on expanding the budget surplus and the ability of the government to pay down long-term debt. The new Administration has shifted to a higher spending mode.

On a global level, Europe and Japan have suffered in greater proportions than the United States from a U.S. based investors perspective as the dollar has outperformed foreign currencies. Over the twelve months ended June 30, 2001, the EAFE Index has a return of –23.6%. When currency is factored out from this number it had a return of –13.8%. Therefore, one can see that currency negatively impacted the international equity returns by about 10% over the past twelve months. During this timeframe, the European sector of the EAFE index had a return of –21.7% in dollar terms while the Pacific Basin sector of this index had a return of –23.7%. In general, both areas were hurt by dollar strength. Foreign markets had been looking for further privatization and a shift in corporate management to focus on shareholder value in a fashion consistent with U.S. corporate management. While we believe that these factors could have positive implications on their respective markets the economic slowdown that persisted over the past year has negatively impacted the foreign markets as it has the U.S.

The tragic events of September 11, 2001 exacerbated an already difficult investment environment as the S&P 500 Composite index faired poorly in the third quarter of 2001 with a return of –14.7%. The technology market, as measured by NASDAQ, which was largely responsible for the major expansion in stock prices, is down 70.2% from its March 2000 high. In fact, both the S&P 500 Composite and the NASDAQ indices are currently at three-year lows as of September 30, 2001. Following the tragic events of September 11, 2001 the new Administration has focused on deficit spending in an effort to increase domestic economic activity. The Fed has also cut discount rates by 0.75% in two additional rate cut moves between June 30, 2001 and September 30, 2001.

Going forward, the U.S. and global economies will be impacted by two different sets of circumstances that are interconnected. On the economic front, the U.S. economy has typically performed extremely well following six successive Fed funds and discount interest rate cuts. The upward slope in yield curve suggests higher expected short-term and long-term interest rates over the next several years, which generally is indicative of greater economic activity. Indeed, other measures such as industrial production and the National Association of Purchasing Managers index is also beginning to indicate an increase in economic activity. The other set of circumstances is directly tied to the World Trade Center attack on September 11, 2001. Consumers have retrenched spending in that travel for both business and pleasure is down dramatically. Business and leisure travel represents about 14% of global GDP and if business and individuals choose to dramatically reduce their travel this could have a severe impact on global economic prospects. Many of the underpinnings that supported the high stock prices, rising productivity, world peace, and free flow of capital across the globe, are now coming into question. While we recognize that these important factors may be impaired in the short-term, over the long-term the strong fundamentals supporting the U.S. economy of historically low interest rates, low inflation, lower taxes, and the possibility of deficit spending will re-energize the U.S. capital market. There is a good prospect of a stronger economic rebound in 2002. As we have seen in the past, the U.S. market expansion will eventually help the foreign markets also with some lag.

The New Hampshire Retirement System is mindful of the fact that it operates in a dynamic economic environment and it continues to maintain a well-diversified investment policy to mitigate negative effects and changes in the global economy. Ultimately, we have a long-term investment horizon and have attempted to construct investments to benefit from the long-term trends in the capital markets, while diversifying the total portfolio to moderate overall portfolio risk.

MAJOR INITIATIVES

The System's Strategic Business Plan spells out specific major initiatives aimed at fulfilling the following three broad strategic themes:

- to build a foundation to support measurable improvement in member services
- to maintain a fully-funded status
- to build a learning organization

NHRS made significant progress toward these themes during the year ended June 30, 2001.

Progress toward the first theme, regarding member services, includes several major achievements. First, the System concluded a study of its internal business processes and has already implemented a number of improvements. Second, the System issued a Request for Proposals for an integrated membership and retirement database and related applications. After an extensive due diligence process, the System has selected the winning vendor and is currently in contract negotiations. The system development lifecycle will begin immediately upon the signing of the contract. The overall development process will take approximately three years and will pave the way for future improvements to the member services.

The second theme is aimed at maintaining a fully-funded status. For example, the System continues to leverage external business partners in its investment processes. During the year, the System hired a stock distribution manager, established a lockbox arrangement, and engaged a firm to provide accounting, reporting and compliance services for the investments in the venture capital and alternative investment class.

Finally, the System made great strides toward the third strategic theme. In addition to the development of the strategic business plan, the System has accomplished several other key initiatives aimed at building a learning organization. These include the hiring of the System's first Human Resources Director and the implementation of a variety of training programs for the entire administrative staff.

INDEPENDENT AUDIT

RSA 100-A:15 requires an annual audit to be performed by the Office of Legislative Budget Assistant, Audit Division (LBA) or their designated subcontractor. For the fiscal year 2001 the LBA designated KPMG LLP to conduct the annual audit of the NHRS. The independent auditors' report, the 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 of the mortality, service, withdrawals, and compensation experience of members is required by statute at least once during each five-year period. An actuarial valuation of assets and liabilities is required by statute at least once during each two-year period. The actuarial firm of Buck Consultants, Inc. provides for the actuarial experience review and valuation. The most recent valuation was performed as of June 30, 2001. The actuarial information presented in the 2001 valuation provides a forecast valuation on the employer contributions for fiscal year 2004 and 2005. 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 Government Finance Officers Association of the United States and Canada (GFOA) has awarded Certificates of Achievement for Excellence in Financial Reporting to the NHRS for its Comprehensive Annual Financial Reports for the last ten fiscal years. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report which conforms to program standards. Comprehensive annual financial reports must satisfy both generally accepted accounting principles and applicable legal requirements. Each Certificate of Achievement is valid for a period of one year only. We believe this year's report continues to conform to the Certificate of Achievement Program requirements.

A reproduction of the 2000 award appears in this Introductory Section. Its attainment continues to represent a significant accomplishment for the NHRS and our goal is to continue to maintain the high standards of financial reporting and disclosure.

ACKNOWLEDGMENTS

The compilation of this report reflects the combined efforts of the administrative staff under the direction of the Board of Trustees of the NHRS. 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 its dedication, commitment, and efficient operation of the NHRS.

Respectfully submitted,

Eric Henry
Executive Director

J. P. Singh
Director of Finance

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Summary Of Plan Provisions

TYPE OF PLAN

The New Hampshire Retirement System (NHRS) is a contributory defined benefit plan qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The public employee pension plan provides retirement, disability, and death protection to its members and their beneficiaries. The NHRS also administers a separate postretirement medical plan which provides a subsidy for postretirement medical premiums for eligible pension plan members. Unlike a defined contribution plan, a member's ultimate pension benefit is based on a predetermined formula measured by salary credit and service credit, and not by the amount of contributions made to the plan.

MEMBERSHIP

Membership in the pension plan is a condition of employment for all full-time, classified State employees and for all permanent, full-time firefighters and police officers employed by the State of New Hampshire or any of its political subdivisions. Under specific minimum participation standards, membership is also a condition of employment for public school teachers and other professional staff of public schools, as well as for employees of political subdivisions which have elected to have their employees participate in NHRS. Employees and teachers are classified as Group I. Firefighters and police officers are classified as Group II. While membership in the plan is divided into groups and classes, the pension plan is considered a single plan for financial reporting and federal tax purposes. All assets of the plan are legally available to fund the benefits of any of the plan members or beneficiaries.

CONTRIBUTIONS

Both employers and active members make regular contributions to the pension plan. All contributions are deposited into the pension trust fund.

Employer contributions are based on a percentage of covered payroll, where the rate is determined by the NHRS's actuarial funding requirements. The State of New Hampshire funds 100% of the employer costs for all State employees and 35% of the employer costs for teachers, firefighters, and police officers employed by political subdivisions. The State of New Hampshire does not fund any of the employer costs for other political subdivision employees. For the fiscal year ended June 30, 2001, the employer contribution rate for providing retirement, disability, and death benefits for the employee classification was 3.94%. The employer contribution rate, including the State of New Hampshire's share, for the teacher classification for providing retirement, disability, and death benefits was 4.11%; for the police officer classification, 7.13%; and the firefighter classification, 8.30%.

Active members contribute to NHRS through automatic payroll deductions. Member contribution rates, which are fixed by statute, are currently 5% of gross taxable earnings for employee and teacher members and 9.3% of gross taxable earnings for firefighter and police officer members. Member contributions plus earned interest, referred to as accumulated contributions, are credited to individual member accounts for each member. The interest rate applied to member accounts for fiscal year ended June 30, 2001 was 9.0%.

TAX SHELTER PLAN

Employers may adopt the tax shelter plan available through NHRS. Under Section 414(h) of the United States Internal Revenue Code, contributions are deducted from an employee's gross reportable wages for federal income tax purposes and are not considered taxable gross income until the funds are distributed through either a lump sum payment or a retirement pension.

CREDITABLE SERVICE

Members earn creditable service for periods during which they are actively contributing to NHRS. Service credit may also be earned for the following:

(1) Prior Service — Service rendered under any of the predecessor systems when there has been no break in service; service rendered by an employee of a political subdivision before the employer elected participation of its employees in the NHRS.

(2) Military Duty — Military service in the Armed Forces of the United States or other emergency wartime service of the United States.

(3) Temporary Service — Service for an employment period of 6 months or more in a temporary, unclassified, or non-classified capacity or in non-permanent full-time employment prior to becoming a member.

(4) Withdrawn Service — Service for an employment period of 6 months or more for which a member withdrew his/her accumulated contributions after termination of employment.

(5) Enrollment Oversight — Service rendered during a period of time when a member should have been enrolled but was not.

(6) Previous Out-of-State or Federal Government Service — Service rendered in another state retirement system or federal government system.

(7) Workers' Compensation Recipients — Creditable service for a period of up to one year granted to members who receive weekly workers' compensation awards under RSA 281-A on or after July 1, 1994.

SERVICE RETIREMENT

Group I contributing members qualify for a service retirement pension at age 60, with no minimum service credit required. From ages 60 to 64, the pension benefit formula multiplies a member's average final compensation of the three highest paid years by the years of creditable service and then by a unit credit rate of 1.67%. At age 65, all Group I members experience a reduction in their retirement pension when the applied unit credit rate changes to 1.51%.

Group II contributing members qualify for a service retirement pension at age 60, with no minimum service credit required, as well as between ages 45 and 60 with a minimum of 20 years of Group II service. The Group II pension benefit formula multiplies a member's average final compensation of the three highest paid years by years of creditable service not to exceed 40 years, and then by a unit credit rate of 2.5%.

For benefit calculation purposes, a member's final 12 months of earnable compensation is limited to 150% of the preceding 12 months' compensation or the higher of any year used in calculating average final compensation. Unused accrued holiday, vacation, sick, or other pay received for service rendered prior to June 30, 1991, paid for at termination of employment, is not subject to the 150% limitation.

EARLY SERVICE RETIREMENT

Group I members with at least 10 years of service are eligible to receive an early reduced retirement pension between ages 50 to 59, and with at least 20 years of service if their years of service when added to their age equal at least 70. Permanent benefit reductions are graduated for each year the member is under age 60 at 1.50% for 35 or more years of service; 3.00% for 30 to 35 years; 4.00% for 25 to 30 years; 5.00% for 20 to 25 years; and, 6.67% for less than 20 years.

VESTING

Group I and Group II members with at least 10 years of service are eligible for a vested deferred retirement pension even if termination of active membership occurs before meeting the eligibility requirements for collecting a retirement pension. Vested deferred retirement pensions are based on creditable service and average final compensation when employment ends.

Group I members receive a full retirement pension at age 60, or as early as age 50 with an appropriate early retirement reduction.

Group II members may receive a retirement pension at that point when 20 years would have been completed but not before age 45.

ORDINARY DISABILITY RETIREMENT

Active members who have 10 or more years of credited service and become permanently disabled as the result of a mental or physical incapacity that prevents them from performing the duties of their job may qualify for an ordinary disability retirement pension.

Group I members age 60 and older receive an amount equal to a service retirement pension, based on creditable service and average final compensation when employment ends, and, under age 60, an amount equal to 90% of a service retirement pension. Group I members are guaranteed a minimum of 25% of average final compensation.

Group II members receive 100% of a service retirement pension based on creditable service and average final compensation when employment ends. Group II members are guaranteed a minimum of 25% of final compensation.

ACCIDENTAL DISABILITY RETIREMENT

Active contributing members who become permanently disabled as the result of a total mental or physical incapacity that prevents them from performing the duties of their job as the result of an on-the-job accident, repeated trauma or gradual degeneration while on the job, or any job-related occupational disease may qualify for an accidental disability retirement pension. Cases of trauma, degeneration, or occupational disease must first be found compensable by the Commissioner of Labor.

Group I members age 60 and older receive an amount equal to a service retirement pension based on creditable service and average final compensation when employment ends, and, under age 60, an amount equal to 50% of average final compensation. Group I members are guaranteed a minimum of 50% of average final compensation.

Group II members receive an amount equal to 66.67% of average final compensation.

ORDINARY DEATH BENEFIT — NON-JOB-RELATED DEATH

An ordinary death benefit is payable to the beneficiary(ies) of an active member who dies. If the member is vested or is eligible for retirement at the time of death and the surviving spouse is the only designated beneficiary, the spouse may receive a retirement pension until remarriage or death equal to 50% of the member's service retirement pension based on creditable service and average final compensation at the time of death. If the spouse prefers, he/she may receive a lump sum payment equal to the deceased member's annual earnable compensation and a return of member contributions plus earned interest. If the member is not vested or is not eligible for service retirement or leaves no surviving spouse, or if the designated beneficiary is someone other than the spouse, a lump sum payment equal to the deceased member's earnable compensation and member contributions plus earned interest is payable to the designated beneficiary(ies).

ACCIDENTAL DEATH BENEFIT — JOB-RELATED DEATH

An accidental death benefit is payable if an active Group I or Group II member dies as the result of an on-the-job accident. An accidental death benefit is also payable if a Group II member dies as the result of job-related repeated trauma, gradual degeneration or any occupational disease. All accidental deaths must first be found compensable by the Commissioner of Labor.

If the member is married at the time of death, an annual pension is payable to the surviving spouse until remarriage or death. For Group I members, the pension is equal to 50% of the member's average final compensation at the time of death; for Group II, 50% of the member's final compensation at the time of death. If there is no surviving spouse, or if the spouse remarries or dies, the pension is payable to any of the deceased member's children under age 18. If there is no surviving spouse and no dependent children, the pension is payable to the deceased member's dependent mother or father.

If the member leaves no survivors who are eligible for the accidental death pension, then a lump sum payment equal to the member's annual earnable compensation is payable to the member's designated beneficiary(ies). In addition to the accidental death benefit, the deceased member's designated beneficiary(ies) receives a refund of the member contributions plus earned interest.

SPLIT BENEFITS — SERVICE IN BOTH GROUP I AND GROUP II

Generally, with creditable service in both Group I and Group II, members are entitled to a split benefit retirement pension, upon eligibility, based on creditable service in each group classification. The average final compensation to be used in calculating the actual benefit is based on the member's entire period of service.

For members who have less than 20 years of combined creditable service, the split benefit is payable at age 60. For members who have 20 or more years of combined service, the benefit is payable before age 60 by the number of whole years of Group II service, but not before age 45. Members with at least 10 years of combined creditable service may elect to receive an early reduced split benefit retirement pension up to 10 years before the appropriate minimum age, but not before age 45.

OPTIONAL ALLOWANCES

Upon disability or service retirement, a member may choose a reduced pension amount under an optional allowance in order to provide a beneficiary with a benefit after the retired member's death. Unless an optional allowance is elected, the only amount payable to a beneficiary after the retired member's death is any balance of member contributions plus earned interest not yet distributed. Optional allowances include the following:

Option 1	Extends the period of eligibility for a lump sum payment to a beneficiary, equal to any member contributions plus interest not yet distributed as part of the member annuity.
Option 2	100% of the retiree's reduced retirement pension payable to the survivorship beneficiary.
Option 3	50% of the retiree's reduced retirement pension payable to the survivorship beneficiary.
Option 4(A)	100% "Pop-Up" Option. Similar to Option 2, except that the retiree's reduced retirement pension "pops up" to the maximum benefit amount if the survivorship beneficiary predeceases the retiree.
Option 4(B)	50% "Pop-Up" Option. Similar to Option 3, except that the retiree's reduced retirement pension "pops up" to the maximum benefit amount if the survivorship beneficiary predeceases the retiree.
Option 4(C)	Some other benefit of the member's choice, approved by the NHRS Board of Trustees, payable to the beneficiary.

A retiring member may designate any number of his children as multiple beneficiaries under one of the survivorship options, where payments would be made to multiple children beneficiaries in equal shares after the retired member's death. Multiple beneficiaries under a survivorship option must be the member's natural children, adopted children, or stepchildren.

MAXIMUM BENEFIT LIMITATIONS

Any benefit payable to a survivorship beneficiary is subject to the limitations set forth in RSA 100-A:13-b. A beneficiary or multiple children beneficiaries cannot receive more than 100% of the retired member's pension. A non-spouse beneficiary who is more than 10 years younger than the retired member is limited to a survivorship pension of 52% to 96% of the retired member's pension. The exact percentage will vary according to the age of the beneficiary.

AUTOMATIC SURVIVING SPOUSAL ALLOWANCE — GROUP II ONLY

Upon the death of a Group II member who retired under service or disability retirement on or after April 1, 1987, the surviving spouse is entitled to a pension, as long as the member was married to that spouse on the effective date of retirement. The pension is equal to 50% of the retired member's pension and is payable until the surviving spouse's remarriage or death. This pension is separate from a survivorship option.

LUMP SUM DEATH BENEFIT — GROUP II ONLY

If a Group II member had been a member of Group II as of June 30, 1988, and retired on or after July 1,1988, the designated beneficiary is entitled to a lump-sum payment of $10,000 after the retired member's death. If a Group II member became a member on or after July 1, 1988, but before July 1, 1993, then the lump-sum payment payable to the designated beneficiary is $3,600. No lump-sum payment is payable to beneficiaries of retired members who joined Group II after July 1, 1993.

HEALTH INSURANCE AFTER RETIREMENT

Political subdivision employers are required to make available to their retired employees the same level of health care coverage that they provide to their active employees. The responsibility for paying for that health insurance coverage may rest with either the employer or the retired employee.

The State of New Hampshire provides paid health insurance to its retired State employees and their spouses, if they meet the eligibility requirements. State paid health insurance is based on RSA 21-I:30 and is dependent on legislatively appropriated funding.

POSTRETIREMENT MEDICAL PLAN

The following Group II members are eligible for the postretirement medical premium subsidy:

- Active Group II police officer members as of June 30, 2000.
- Retired Group II police officer members (or beneficiaries) as of June 30, 2000.
- Active Group II firefighter members as of June 30, 2000.
- 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 I members retired as of July 1, 1991 with a split benefit under RSA 100-A:19-c who has at least 10 years of Group II service.
- Group II members as of June 30, 2002 who subsequently became disabled while in the performance of duty at any time in the future.

The System subsidy covers the retired member's spouse and any of the retired member's certifiably dependent and disabled children.

The following Group I members are eligible for coverage under the postretirement medical plan:

- Teacher members and Employee members of political subdivisions and spouses (or beneficiaries including disabled children) who retire on or before July 1, 2008 at age 60 with at least 20 years of creditable service or at age 55 through 59 with at least 30 years of creditable service on a service of ordinary disability retirement.
- Surviving spouses and children of Teacher members, and Employee members of political subdivisions who die 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 Teacher members and Employee members of political subdivisions and spouses who complete at least 20 years of creditable service and prior to July 1, 2008 receives an allowance and who subsequently attains age 60.
- Teacher members and Employee members of political subdivisons and spouses who retire after completing at least 20 years of creditable service and who subsequently attains age 60 before July 1, 2008 or after completing at least 30 years of creditable serviced and who subsequently attains age 55 before July 1, 2008.

- Spouses of Teacher members and Employee members of political subdivisions who died in active service after attaining the eligibility requirements for the subsidy, and who elected a refund of contributions.

Effective January 1, 2002, the following Group I members will become eligible for coverage under the postretirement medical premium subsidies:

- Employee members of the State and spouses (or beneficiaries including disabled children) who retire on or before July 1, 2004 at age 60 with at least 20 years of creditable service or at age 55 through 59 with at least 30 years of creditable service on a service or ordinary disability retirement.
- Surviving spouses and children of Employee members of the State who die 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 (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.
- Employee members of the State who died in active service after attaining the eligibility requirements for the subsidy, and who elected a refund of contributions.

COST-OF-LIVING ADJUSTMENTS (COLAs)

On February 1 of each year, the Fiscal Committee of the New Hampshire Legislature is empowered to approve COLAs, subject to availability of funding from the Special Account. When COLAs are granted by the Legislature, they become a permanent part of retirement pensions.

WITHDRAWAL OF CONTRIBUTIONS

Members who terminate employment are entitled to withdraw their member contributions plus earned interest. All earned rights to a retirement pension are thereby forfeited.

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Financial Section

Independent Auditors' Report

KPMG

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Independent Auditors' Report

The Fiscal Committee of the General Court:

We have audited the accompanying financial statements of the New Hampshire Retirement System, a component unit of the State of New Hampshire, as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the New Hampshire Retirement 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 2000 financial statements and, in our report dated November 15, 2000, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 New Hampshire Retirement System at June 30, 2001, and the changes therein for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The historical pension information on pages 44 and 45 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to this information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The supporting schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements of the New Hampshire Retirement System. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The information included in the Introductory, Investment, Actuarial, and Statistical Sections has not been audited by us, and, accordingly, we do not express an opinion on such data.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2001 on our consideration of the New Hampshire Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

November 7, 2001

STATEMENTS OF PLAN NET ASSETS

(in thousands)

AS OF JUNE 30, 2001 (with summarized financial information for the year ended June 30, 2000)

	PENSION PLAN 2001	POST RETIREMENT MEDICAL PLAN 2001	TOTAL 2001	TOTAL 2000
ASSETS:				
Cash	$ 3,357	$ 283	$ 3,640	$ 3,540
Cash Collateral on Securities Lending (NOTE 3)	369,131	31,146	400,277	472,378
Total Cash	372,488	31,429	403,917	475,918
Receivables:				
Due from Employers	3,667	1,594	5,261	4,763
Due from State	6,717	823	7,540	7,345
Due from Plan Members	8,322	—	8,322	7,435
Due from Postretirement Medical Plan	2,417	—	2,417	1,377
Due from Brokers for Securities Sold	45,370	3,828	49,198	136,585
Interest and Dividends	16,699	1,409	18,108	16,625
Other	3,139	265	3,404	2,652
Total Receivables	86,331	7,919	94,250	176,782
Investments At Fair Value (NOTES 2 and 3):				
Equity Investments:				
Domestic	1,874,830	158,193	2,033,023	2,496,873
International	315,658	26,634	342,292	452,754
Fixed Income Investments:				
Domestic	903,274	76,215	979,489	923,939
Global	138,742	11,707	150,449	151,338
Commercial Real Estate	381,841	32,218	414,059	308,815
Timberfunds	117,439	9,909	127,348	123,532
Alternative Investments	264,725	22,337	287,062	327,597
Temporary Investments	1,917	162	2,079	15,588
Total Investments	**3,998,426**	**337,375**	**4,335,801**	**4,800,436**
Other Assets	289	24	313	188
TOTAL ASSETS	**4,457,534**	**376,747**	**4,834,281**	**5,453,324**
LIABILITIES:				
Cash Collateral on Securities Lending (NOTE 3)	369,131	31,146	400,277	472,378
Contributions Due to Pension Plan	—	2,417	2,417	1,377
Management Fees and Other Payables	7,665	647	8,312	8,710
Due to Brokers for Securities Purchased	76,546	6,459	83,005	211,940
TOTAL LIABILITIES	**453,342**	**40,669**	**494,011**	**694,405**
NET ASSETS HELD IN TRUST FOR BENEFITS (NOTE 4: The information on funding progress is shown on page 35.)	**$4,004,192**	**$336,078**	**$4,340,270**	**$4,758,919**

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

STATEMENTS OF CHANGES IN PLAN NET ASSETS

(in thousands)

FOR THE YEAR ENDED JUNE 30, 2001 (with summarized financial information for the year ended June 30, 2000)

	PENSION PLAN 2001	POST RETIREMENT MEDICAL PLAN 2001	TOTAL 2001	TOTAL 2000
ADDITIONS:				
Contributions (NOTE 6):				
Employers	$ 46,083	$13,189	$ 59,272	$ 55,834
State Contributions on Behalf of Local Employers	10,256	5,128	15,384	13,994
Total Employer Contributions	**56,339**	**18,317**	**74,656**	**69,828**
Plan Members	93,999	—	93,999	88,237
Postretirement Medical Plan Contributions on Behalf of Employers	18,317	—	18,317	8,037
Total Contributions	**168,655**	**18,317**	**186,972**	**166,102**
Investment Income (Loss)				
From Investment Activities:				
Net Appreciation (Depreciation) in Fair Value of Investments	(444,776)	(36,122)	(480,898)	421,609
Interest	66,758	5,422	72,180	64,374
Dividends	38,413	3,120	41,533	34,498
Timberfund Income (Loss)	34	3	37	(171)
Alternative Investment Income	472	38	510	3,767
Commercial Real Estate Operating Income	72,098	5,856	77,954	66,030
Total Income (Loss) from Investment Activities	**(267,001)**	**(21,683)**	**(288,684)**	**590,107**
Less: Investment Expenses:				
Investment Management Fees	26,041	2,115	28,156	25,966
Commercial Real Estate Operating Expense	37,734	3,065	40,799	38,157
Custodial Fees	586	48	634	1,067
Investment Advisor Fees	426	35	461	483
Total Investment Activity Expenses	**64,787**	**5,263**	**70,050**	**65,673**
Total Net Income (Loss) from Investment Activities	**(331,788)**	**(26,946)**	**(358,734)**	**524,434**
From Securities Lending Activities (NOTE 3):				
Securities Lending Income	25,108	2,039	27,147	30,298
Less: Securities Lending Borrower Rebates	22,989	1,867	24,856	27,291
Less: Securities Lending Management Fees	635	52	687	902
Net Income from Securities Lending Activities	**1,484**	**120**	**1,604**	**2,105**
Total Net Investment Income (Loss)	**(330,304)**	**(26,826)**	**(357,130)**	**526,539**
Administrative Assessment (NOTES 2 and 8)	4,900	398	5,298	5,975
Other	343	28	371	868
TOTAL ADDITIONS	**(156,406)**	**(8,083)**	**(164,489)**	**699,484**
DEDUCTIONS:				
Benefits Paid	200,116	13,070	213,186	185,613
Refunds of Contributions	16,979	—	16,979	19,485
Administrative Expense (NOTES 2 and 8)	4,074	331	4,405	3,353
Postretirement Medical Plan Contributions to Pension Plan on Behalf of Employers	—	18,317	18,317	8,037
Professional Fees	576	47	623	872
Other	601	49	650	424
TOTAL DEDUCTIONS	**222,346**	**31,814**	**254,160**	**217,784**
Net Asset Transfers (NOTE 5)	(64,437)	64,437	—	—
NET INCREASE (DECREASE)	**($443,189)**	**$24,540**	**($418,649)**	**$ 481,700**
NET ASSETS HELD IN TRUST FOR BENEFITS				
Beginning of the Year	$4,447,381	$311,538	$4,758,919	$4,277,219
End of the Year	$4,004,192	$336,078	$4,340,270	$4,758,919

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

NOTE 1 — PLAN DESCRIPTION

The New Hampshire Retirement System (System) consists of a cost-sharing, multiple-employer contributory pension plan (Pension Plan) and trust 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 and a post-retirement medical plan (Medical Plan). 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 of New Hampshire are eligible and required to participate in the System. 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.

As required by RSA 100-A:41-a, effective July 1, 1994, the System provides for the possible payment of supplemental retirement allowances (COLA). Effective July 1, 1999, any retired member who has been retired for at least 12 months (or beneficiary of such a member) could be entitled to receive on the member's retirement anniversary date a supplemental retirement allowance from 1% to 5%. Each February 1, the fiscal committee of the general court may approve such supplemental retirement allowances payable on the following July 1 based on the funds available in the Special Account.

The administrative office of the System, 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 guidelines of the executive branch of the State of New Hampshire, and passed into law by the New Hampshire Legislature.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, guidelines for a reporting entity, the System participated with the State of New Hampshire (State) in reviewing its financial reporting relationship with the State as the primary government and determined that the 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 administrative expenses.

The type and number of employers contributing to the System during the years ended June 30, 2001 and 2000 are presented below.

EMPLOYERS CONTRIBUTING	2001	2000
State Government	1	1
City Governments	13	13
Town Governments and Related Entities	204	196
County Governments	10	10
School Districts	222	222
Total Employers	**450**	**442**

As of June 30, 2001 and 2000 membership data related to the pension plan was as follows:

MEMBERSHIP DATA	2001	2000#
Retirees and beneficiaries currently receiving benefits	15,416	15,235
Terminated employees entitled to benefits but not yet receiving them	653	525
Active and inactive plan participants:		
Vested	21,575*	20,071
Nonvested	30,047**	28,595
Total Membership	**67,691**	**64,426##**

\# Information estimated as there was no full actuarial valuation prepared as of June 30, 2000.

* Includes 792 inactives.

** Includes 3,141 inactives.

\## Includes 5,387 inactives.

The New Hampshire Retirement System is divided into two membership groups. State or 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 on the next page.

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 of the System are required to contribute a percentage of gross earnings to the System 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 System 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 System and earn interest for up to six years.

Employers make monthly contributions to the Pension Plan based on rates determined by periodic actuarial valuations as more fully described in Note 6.

Pursuant to RSA 100-A:50 and RSA 100-A:53-a, the New Hampshire Retirement System also provides a postretirement medical plan to certain Group I and Group II members. The maximum monthly subsidy effective as of July 1, 2001 for eligible members (and beneficiaries) not eligible for Medicare is $236.67. For those eligible for Medicare, the maximum monthly subsidy is $149.25. The monthly maximum premium is increased each July 1 by 8%.

Effective July 1, 2001, the following Group I members are eligible for coverage under the postretirement medical plan:

- Teacher members and Employee members of political subdivisions and spouses (or beneficiaries including disabled children) who retire on or before July 1, 2008 at age 60 with at least 20 years of creditable service or at ages 55 through 59 with at least 30 years of creditable service.
- Surviving spouse and children of Teacher members and Employee members of political subdivisions who die 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 23 if attending school on a full-time basis, or (ii) the spouse remarries.
- Vested terminated Teacher members and Employee members of political subdivisions and spouses who completed at least 20 years of creditable service and prior to July 1, 2008 receive an allowance and who subsequently attain age 60.
- Teacher members and Employee members of political subdivisions and spouses who retire after completing at least 20 years of creditable service and who subsequently attain age 60 before July 1, 2008 or who complete at least 30 years of creditible service and who subsequently attain age 55 before July 1, 2008.
- Spouses of Teacher members and Employee members of political subdivisions who died in active service after attaining the eligibility requirements for the subsidy, and who elected a refund of contributions.

Effective July 1, 2001, the following Group II members are eligible for coverage under the postretirement medical plan:

- Active or retired police members (or beneficiaries) as of June 30, 2000.
- Active or retired 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 I 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.
- Members as of June 30, 2002 who subsequently become disabled while in the performance of duty at any time in the future.

Effective January 1, 2002, the postretirement medical plan will be extended to the following Group I members:

- Employee members of the State and spouses (or beneficiaries including disabled children) who retire on or before July 1, 2004 at age 60 with at least 20 years of creditable service or at age 55 through 59 with at least 30 years of creditable service on a service or ordinary disability retirement.
- Surviving spouses and children of Employee members of the State who die 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 (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.
- Employee members of the State who died in active service after attaining the eligibility requirements for the subsidy, and who elected a refund of contributions.

The System subsidy generally covers the retired member's spouse and any of the retired member's certifiably dependent children with a disability. At June 30, 2001, there are 2,373 Group II members (police officers and firefighters) and 2,998 Group I members (teachers and employees) receiving the postretirement medical subsidy.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

BASIS OF ACCOUNTING

The System consists of a Pension Plan with a separate Postretirement Medical Plan for certain Group I and Group II retirees. The assets of the two plans are pooled together for investment purposes. Investment income and investment expenses are prorated between the two plans based on the net assets. The financial statements of these plans are prepared on the accrual basis of accounting. Contributions are recognized as revenue when members receive payment for services provided to the employers. Investment income is recognized as it is earned. Benefits and refunds are recognized when paid. 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. Commission and related transaction costs are netted out against the fair value of investments.

The financial statements include certain prior year summarized comparative information in total but not by separate plan. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended June 30, 2000, from which the summarized information was derived.

INVESTMENTS

Investments in both domestic and international securities are valued at current market prices and international securities are expressed in U.S. dollars. Global fixed income investments include investments in international and U.S. bonds. International equity represents investment in non-U.S. stocks only. The System uses trade date basis for accounting of these investments. Commercial real estate properties are organized into holding companies which are wholly-owned by the System. 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. The System has adopted a cyclical approach for external appraisals. Properties are selected for external appraisals based on the advice of the System's consultant. Investment manager fair value estimates are used during the interim years. Properties held for sale are reported net of disposition costs. Alternative investments include investments in limited partnerships and other structured alternative investments. Timberfunds and alternative investments are valued at fair value by the portfolio managers. Temporary Investments are valued at cost which reflects approximate fair value. Temporary Investments represent investments in the pooled short term investment funds managed by the System's 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 Board to reinvest these funds to other asset classes.

The System does not hold securities of a single organization (other than the U.S. Government) which exceed 5% of the System's plan net assets held in trust for benefits. However, at June 30, 2001 and 2000, the System had $155.9 million and $266.6 million, representing 3.6% and 5.6%, respectively, of plan net assets invested for liquidity purposes in short-term investment funds managed by the System's custodian.

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

ADMINISTRATIVE EXPENSES

Expenses related to the administration of the System are budgeted and approved by the System's Board of Trustees, and are subject to appropriation annually by the State Legislature. Administrative expenses are included in the System's financial statements.

FIXED ASSETS

Generally, furniture, fixtures and equipment are purchased using funds from the Administrative Assessment account and are recorded as administrative expenses. These fixed assets are legally the property of the State of New Hampshire and are not included as assets in the System's financial statements.

NOTE 3 — INVESTMENTS AND DEPOSITS

RSA 100-A:15, I, authorizes the members of the Board of Trustees to manage, invest and reinvest all of the assets and proceeds, and related income, and all contributions and payments made to the System 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 System.

To aid in the prudent investment of the System's assets, the Board of Trustees established a formal investment policy document. This policy may be modified by Board action as the Board deems necessary. Contained in the policy are guidelines and objectives for various investment types. Investment types include domestic equity and fixed income securities (including mortgage backed securities and structured notes), cash equivalents, commercial real estate, international equity and global fixed income securities, alternative investments including venture capital investments, private placements and timberfunds.

DERIVATIVES

The System's investment policy allows investment managers to invest in mortgage backed securities and also allows managers to use options, futures and currency forward contracts in international equity and domestic and global fixed income portfolios for the purposes of currency risk management of non-U.S. investments. The System's investment policy has pre-established thresholds to limit the risk exposure on these investments.

As of June 30, 2001 and June 30, 2000, the System had $192.3 million (4.4%) and $153.0 million (3.2%) of total investments, respectively, invested in non-leveraged mortgage backed securities. The investments in mortgage backed securities are reported at current market value and are allowed by the System's investment guidelines to diversify risk and to closely match the weighting of the mortgage backed position of System funds with the Lehman Brothers Aggregate Index for fixed income securities. Investments in mortgage backed securities were also permitted because of the excess return they offer over other fixed income securities.

Based upon the advice of the System's investment consultants and investment constraints within RSA 100-A:15 and the System's Investment Policy and Guidelines, the investments in mortgage backed securities and currency forward contracts do not, in the System's judgment, have any legal risk.

With respect to credit risk, the mortgage backed securities are issues of U.S. Government Agencies. All issues are rated AAA or above by both Standard & Poors and Moody's. The currency forward contracts are executed through large money center banks with credit rating standards. The credit risk exposure could be with the bank counterparty. Depending on the bank, the degree of credit risk could vary. However, based on the assessment of the System's investment managers and investment consultants, the risk is minimal.

The market risk of mortgage backed securities is dependent on two variables: the type of security and its sensitivity towards a change in interest rate. The degree of change in market value is also predicated on the structure of these securities. Based on ratings specifically designed for mortgage backed securities, the System's holdings as of June 30, 2001 and June 30, 2000 have market risk ratings within the range of "low" to "moderate to high."

As of June 30, 2001, the System held U.S. Treasury futures contracts. Collateral for these futures contracts consists of portfolio securities that are held by the counterparty to the contract. As of June 30, 2001, this collateral had a market value of $448 thousand. There were no futures contracts held at June 30, 2000.

The futures contracts are used in the fixed income portfolios for duration management. The futures market is more liquid than the 30-year Treasury market, so these securities allow for easier management of interest rate exposure.

As of June 30, 2001 and 2000 the System had $0.0 million and $0.9 million net exposure in currency forwards, respectively.

Forward contracts allow investors to minimize currency risk by "locking in" an exchange rate. The risk of forward contracts can be characterized as an opportunity risk. At the termination of the contract the difference between the exchange rate agreed upon in the forward contract and the prevailing rate will result in a gain or loss.

SECURITIES LENDING

The System has a Securities Lending agreement with its master custodian. In accordance with this agreement the System participates in a domestic and international equity 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 System receives a fee based on the market value of the loaned securities. During the duration of the loan, the System receives dividends and coupon payments equivalent to amounts that would be received had the securities not been loaned.

Collateral for loaned securities may include U.S. and non-U.S. currencies, Organization for Economic Cooperation and Development (OECD) government securities, equities or irrevocable letters of credit. U.S. securities are loaned in consideration of collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned against collateral valued at 105% of the market value of the securities plus any accrued interest, except that fixed income securities can be loaned against same currency collateral at 102% plus any accrued interest. The actual collateral value was equal to 102.4% for U.S. securities and 107.1% for non-U.S. securities at June 30, 2001 and 102.4% for U.S. securities and 106.2% for non-U.S. securities at June 30, 2000. Collateral is marked-to-market daily. If the market 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 fund is limited to a maximum of 60 days.

The System is indemnified by the custodian in the event a borrower does not return loaned securities due to the insolvency of the borrower and 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 market value of securities on loan, the collateral held, and the security lending income as of June 30, 2001 and June 30, 2000 are presented below.

SECURITIES LENDING ACTIVITIES	($ in millions)	
	2001	2000
Market Value of U.S. and Non-U.S. Securities on Loan	$433.8	$523.8
Collateral Held Against U.S. and Non-U.S. Securities	$450.5	$541.2
Ratio of Collateral held to Loan Securities	103.8%	103.3%
Net Income From Securities Lending Program	$1.604	$2.105

The System did not incur any losses on loaned securities during the fiscal years ended June 30, 2001 and June 30, 2000. 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. Due to the nature of the program's collateralization of all loans at 102% or 105%, plus accrued interest, management believes that there is no credit risk per GASB 28 since the System owes borrowers more than the borrower owes the lender.

Loaned securities are included in the Statement of Plan Net Assets since the System maintains ownership. 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, 2001 and June 30, 2000 were $400.3 million and $472.4 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 System cannot pledge or sell the collateral securities, except in the event of a borrower's default. The System does not use reverse repurchase agreements.

DEPOSITS AND INVESTMENTS

The following is a summary of the deposit and investment portfolio as of June 30, 2001 and 2000. Investing by the discretionary investment managers is regulated by the investment policy and guidelines developed by the Board of Trustees and by provisions of RSA 100-A:15 of the State of New Hampshire.

(a) At June 30, 2001, the carrying amount of the System's deposits was $3.6 million and the bank balance was $10.1 million. At June 30, 2000, the carrying amount of the System deposits was $3.5 million and the bank balance was $10.5 million. The deposits are held in one financial institution. Of the bank balances at June 30, 2001 and 2000, $100,000 was covered by federal depository insurance. The remaining bank balance amounts at June 30, 2001 and 2000 were uninsured and uncollateralized.

(b) The table on the next page provides information about the credit and market risk associated with the System's investments. The table is segmented by the following risk categories:

- Category 1 includes investments in securities that are insured, or registered, or for which the securities or investments are held by the System, or its agents in the System's name.
- Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department (if a bank) or agent(s), in the System's name.
- Category 3 includes uninsured and unregistered investments in securities held by the counterparty in the System's name or the counterparty's trust department (if a bank) or agent(s), but not in the System's name.
- Other non-categorized investments are those that do not meet the criteria set forth in categories 1, 2 and 3.

INVESTMENTS BY RISK CATEGORY	(in thousands)	
	FAIR VALUE AT JUNE 30	
	2001	2000
CATEGORY 1		
Common Stock	$2,284,319	$2,803,192
Preferred Stock	7,608	12,606
Corporate Bonds	317,376	286,366
Convertible Corporate Bonds	3,703	213
U.S. Government and Agency Bonds	540,853	553,728
Asset Backed Bonds	74,774	54,118
Collateralized Mortgage Bond Obligations	75,182	46,921
Commercial Paper	30,013	10,273
TOTAL CATEGORY 1	**3,333,828**	**3,767,417**
CATEGORY 2		
No Investments	—	—
CATEGORY 3		
No Investments	—	—
OTHER NON-CATEGORIZED		
Securities Lending Cash Collateral Investment Pool	400,277	472,378
Commercial Real Estate	414,059	308,815
Timberfunds	127,348	123,532
Limited Partnerships and Other Structured Alternative Investments	287,062	327,597
International Bond Pooled Funds	17,603	6,484
Pooled Short Term Investment Funds*	155,901	266,591
TOTAL OTHER NON-CATEGORIZED	**1,402,250**	**1,505,397**
TOTAL INVESTMENTS	**$4,736,078**	**$5,272,814**

* The pooled short term investment funds are managed by the System's custodian and include foreign currency held for investment purposes with other subcustodial financial institutions. These funds invest mainly in high-grade money market instruments with maturities averaging less than three months. These funds provide participants with daily liquidity.

NOTE 4—FUNDING PROGRESS

The System determines the annual required contribution using the open group aggregate funding method. This method does not identify or separately amortize unfunded actuarial liabilities. In accordance with GASB 25 guidelines, therefore, a schedule of funding progress is not presented as part of these financial statements.

NOTE 5—SIGNIFICANT CHANGES IN ACTUARIAL ASSUMPTIONS AND PENSION BENEFIT PROVISIONS OCCURRING SINCE THE JUNE 30, 1999 ACTUARIAL VALUATION

Changes in actuarial assumptions for fiscal year 2001:

The postretirement mortality assumption for Teachers and Firefighters and the demographic assumptions for all membership classifications were revised to more closely reflect the actual experience of the System. This change will increase or (decrease) the normal contribution rates by .77% for Employees, (.64%) for Teachers, 1.36% for Police Officers and 2.76% for Firefighters.

Legislation was enacted in the 2001 legislative session which:

(a) Allows the Director of Safety Services to maintain Group II status if he/she was a Group I member for at least 10 years prior to the appointment as Director.

(b) Allows unclassified and non-classified State employees to withdraw from System membership and receive a service retirement pension without being subject to restoration to service limitations.

(c) Provides a supplemental allowance which would increase all Group I members who retired prior to July 1, 1991 under a full service retirement with at least 20 years of creditable service or under a disability retirement to a minimum annual pension of $8,500. Beneficiaries of eligible members would also be eligible for the supplemental allowance except the specified amount of $8,500 shall be multiplied by a ratio of the beneficiary's annual retirement allowance to the member's annual retirement allowance.

(d) Allows the Director or Assistant Director of Police Standards and Training to maintain Group II status if he/she has been a Group II member for at least 10 years.

(e) Allows county corrections personnel to purchase prior Group I service in any county corrections facility.

(f) Allows retirees whose spouse predeceases them to designate a new spouse as their beneficiary.

(g) Abolishes the administrative cost assessment to employers by authorizing the administrative costs of the System to be drawn from the System funds.

(h) Allows the Board of Trustees to make decisions concerning the budget for the System and the services of outside legal counsel.

(i) Provides the 401(h) postretirement medical premium effective January 1, 2002 for the following Group I members:

- Employee members of the State and spouses (or beneficiaries including disabled children) who retire on or before July 1, 2004 at age 60 with at least 20 years of creditable service or at age 55 through 59 with at least 30 years of creditable service on a service or ordinary disability retirement.
- Surviving spouses and children of Employee members of the State who die 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.
- Employee members of the State who died in active service after attaining the eligibility requirements for the subsidy, and who elected a refund of contributions.

(j) Extends 401(h) postretirement medical premium to the following Group I members:

- Teacher members and Employee members of political subdivisions and spouses (or beneficiaries including disabled children) who retire on or before July 1, 2008 at age 60 with at least 20 years of creditable service or at age 55 through 59 with at least 30 years of creditable service on a service or ordinary disability retirement.

- Surviving spouses and children of Teacher members and Employee members of political subdivisions who die 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 Teacher members and Employee members of political subdivisions and spouses who completed at least 20 years of creditable service and prior to July 1, 2008 receives and allowance and who subsequently attains age 60.
- Teacher members and Employee members of political subdivisions and spouses who retire after completing at least 20 years of creditable service and who subsequently attains age 60 before July 1, 2008 or after completing at least 30 years of creditable service and who subsequently attains age 55 before July 1, 2008.
- Spouses of Teacher members and Employee members of political subdivisions who died in active service after attaining the eligibility requirements for the subsidy, and who elected a refund of contributions.

(k) Extends the Group II 401(h) insurance subsidy to active or retired Police Officers and Firefighters prior to July 1, 2000, and to Group II employees who became members prior to July 1, 2002 and subsequently become disabled as the natural and proximate result of injuries suffered while in the performance of duty at any time in the future.

(l) Makes a bonded appropriation for the payment of the unfunded accrued liability which is paid through additional normal rates.

(m) Allows a member to go to the Board to request inclusion of severance pay as earnable compensation past the 120 day limitation, if such pay was delayed by no fault of the member.

(n) Allows those retiring on disability 120 days following the Board's approval of their disability benefits to change their option selection.

In addition, the fiscal committee, in accordance with RSA 100-A; 41-a, II, approved the following cost-of-living adjustments (COLAs):

(o) Provides a 3.5% COLA for Employees, Teachers, Police Officers and Firefighters who retired prior to July 1, 2000, effective July 1, 2001.

The above amendments were reflected in the June 30, 2001 valuation.

Items (c), (i), (j), (k) and (o) will have no effect on the normal rate determined using the open group aggregate funding method because, as required by the legislation, the costs are terminally funded from the Special Account at a cost of $227.4 million. Items (a), (b), (d), (e), (f), (g), (h), (l), (m) and (n) will have no significant effect on the normal rate.

Changes in actuarial assumptions for fiscal year 2000:

Actuarial valuations are performed biennially. There have been no changes in actuarial assumptions since the last actuarial valuation was performed as of June 30, 1999.

Legislation was enacted in the 2000 legislative session which:

a) Extends Group II 401(h) insurance subsidy to active or retired Police Officers and Firefighters who became members after June 30, 1995 and prior to July 1, 1997, and to Group II employees who became members during the period July 1, 1995 to July 1, 2000 and subsequently become disabled as the natural and proximate result of injuries suffered while in the performance of duty at any time in the future.

b) Provides 401(h) postretirement medical premium effective January 1, 2001 for the following Group I Members:

- Employee members of political subdivisions and spouses (or beneficiaries including disabled children) who retire on or before July 1, 2004 at age 60 with at least 20 years of creditable service or at age 55 through 59 with at least 30 years of creditable service on a service or ordinary disability retirement.
- Surviving spouses and children of Employee members of political subdivisions who die 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 political subdivisions and spouses who completed at least 20 years of creditable service and, prior to July 1, 2004, receive an allowance and who subsequently attain age 60.

- Teacher members and Employee members of political subdivisions and spouses who retire after completing at least 20 years of creditable service and who subsequently attain age 60 before July 1, 2004 or after completing at least 30 years of creditable service and who subsequently attain age 55 before July 1, 2004.
- Spouses of Teacher members and Employee members of political subdivisions who died in active service after attaining the eligibility requirements for the subsidy, and who elected a refund of contributions.

c) Provides for certain Group II members who retired on or before July 1, 1998 under a service retirement allowance with at least 20 years of Group II creditable service or under a disability retirement, a one-time supplemental allowance equal to the greater of a supplemental allowance or a $10,000 annual benefit. The supplemental allowance is as follows:

Annual Benefit	Percentage Increase
Less than $9,300	Applicable percentage to reach $10,000
$9,300 to $11,699	7.5%
$11,700 to $13,699	5.5%
$13,700 to $15,699	4.0%
$15,700 to $17,699	3.0%

The annual benefits shown above are prorated by the ratio of the beneficiary's retirement allowance to the member's retirement allowance to determine the applicable percentage increase to be applied to the benefit payable to the beneficiary.

d) Grants one-half of one year of service for each full year of Teacher job-sharing service for the purposes of calculating creditable service for eligibility for medical benefits under RSA 100-A:52a.

e) Provides the following to currently retired Group II members who retired before April 1, 1987 on service retirement allowance with at least 20 years of creditable service or an ordinary disability benefit:

- A 50% spousal allowance upon the death of a currently or previously retired Group II member of the System or predecessor system,
- The health insurance subsidy to surviving spouses of deceased Group II members who retire prior to April 1, 1987 and who are not entitled to a monthly allowance under RSA 100-A:12 or RSA 100-A:13.

In addition, this legislation would allow eligible retirees who originally elected and are receiving the 100 percent joint and survivorship option or the 100 percent joint and survivorship pop up option to elect a 50 percent joint and survivorship option, 50 percent joint and survivorship pop up option, or the maximum allowance otherwise payable, prospectively. The legislation would also allow eligible retirees who elected and are receiving a 50 percent joint and survivorship option or 50 percent joint and survivorship pop up option to continue their option or elect the maximum allowance otherwise payable, prospectively.

f) Will allow a person named as a beneficiary of an optional allowance elected by a member of the System to voluntarily renounce his or her right to a future benefit.

g) Will allow a Group II retired member of the System to receive a deferred vested benefit at any time after attaining age 60.

As a result of items (a), (b), and (e), $64.4 million was transferred on January 1, 2001 from the Pension Plan to the Postretirement Medical Plan.

In addition, the fiscal committee, in accordance with RSA 100-A; 41-a, II, approved the following cost-of-living adjustments (COLAs):

h) Provides a 4½% COLA for Employees, Teachers, Police Officers, and Firefighters who retired prior to July 1, 1999, effective July 1, 2000.

Items (a), (b), (c), (e), and (h) will have no effect on the normal rate because, as required by the legislation, the costs are terminally funded from the Special Account at a cost of $144.6 million. Items (d), (f), and (g) will have no significant effect on the normal rate.

NOTE 6—CONTRIBUTIONS AND RESERVES

As a condition of participation, members are required to contribute a set percentage of their salary to the System. The percentage rates, as outlined below, are set by statute under RSA 100-A:16 and depend on the member's group affiliation. Present contributing members' actual accumulated contributions including interest at June 30, 2001 were $1,482.0 million and accumulated contributions with interest at June 30, 2000 were $1,309.4 million.

RSA 100-A:16 outlines the employer contributions made to the New Hampshire Retirement System. Employer contributions to the System since fiscal year 1992 have been determined on an actuarial basis using the open group aggregate cost method. (The results from the open group aggregate cost method cannot be less than the normal rate determined to produce a funding ratio of 130% over a 20-year horizon and an 8% interest rate.) Prior to fiscal year 1992, employer contributions were based on the frozen initial liability-entry age normal actuarial cost method. The normal cost under this method was funded on a current basis. An unfunded accrued liability was determined as of June 30, 1968 for each member classification. The amount of accrued liability contribution was then computed as the level dollar amount required to discharge this initial unfunded liability over a 20-year period from June 30, 1968. Both the unfunded liability and the accrued liability contribution have been adjusted from time to time since 1968, either to reflect changes in the actuarial assumptions, or as a result of special legislation authorizing additional transfers of members from one of the predecessor systems or between groups in the new system or providing certain improvements in the benefit provisions. It should be noted that the accrued liability contributions have been retained under the open group aggregate method out of equity among the various sponsors.

Pursuant to RSA 100-A:52a, postretirement medical premium subsidies are provided to certain Group I teacher members and employee members of political subdivisions (effective January 1, 2002 for employees of the State) and certain Group II police officer and firefighter members by a medical plan subtrust. Under Section 401(h) of the Internal Revenue Code qualified retirement plan trusts may pay for postretirement medical premiums. These payments are funded through contributions of the employers, which may not exceed 33⅓% of the normal cost for the respective membership classification. As provided by RSA 100-A:53, I, 33⅓% of certain Group I and Group II employer contributions are paid into the Medical Plan Subtrust. For the fiscal year 2000, the comparable rate was 25% of the normal cost for the respective membership classifications. Subsequently, a transfer is made from the Medical Special Account to the pension plan equal to the contributions made to the Medical Plan Subtrust.

The State funds 100% of the employer normal costs for all State employees, and 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 State funds its portion of the unfunded accrued liability as an additional normal cost and as a level dollar amount. Legislation was enacted during fiscal year 2001 that will require the State to contribute the balance of the unfunded liability attributable to the State for Group I and Group II members previously funded by an additional normal contribution. The entire balance of $5.1 million of the State's unfunded accrued liability funded by an additional normal contribution was paid in full on August 14, 2001. The funding strategy for normal cost and the unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis.

The annual covered payrolls for the years ended June 30, 2001 and 2000 were $1,615.9 million and $1,459.7 million, respectively.

The table on the next page shows the percentages of gross payroll contributed by the State, other contributing employers, and members. The employer share for fiscal years 2001 and 2000 excludes administrative expense loading of 0.30% and 0.30%, respectively.

PERCENT OF COVERED PAYROLL FOR RETIREMENT BENEFITS

	(FY 2001)				(FY 2000)			
	Member Normal Share	Employer Normal Share			Member Normal Share	Employer Normal Share		
Member Category		State*	Local**	Total		State*	Local**	Total
Employees								
State	5.00%	3.94%	—	3.94%	5.00%	3.94%	—	3.94%
Local	5.00%	—	3.94%	3.94%	5.00%	—	3.94%	3.94%
Teachers	5.00%	1.44%	2.67%	4.11%	5.00%	1.44%	2.67%	4.11%
Police Officers	9.30%	2.50%	4.63%	7.13%	9.30%	2.50%	4.63%	7.13%
Firefighters	9.30%	2.91%	5.39%	8.30%	9.30%	2.91%	5.39%	8.30%

* Excludes .01%, .01%, .22%, and .14% for Employees, Teachers, Police Officers, and Firefighters, respectively which is the State's additional normal cost percentage to fund a portion of the unfunded accrued liability. The State's portion of the total unfunded accrued liability as of June 30, 2001 that is funded as a percent of covered payroll is $1,522,534, $603,594, $2,446,514 and $498,741 for Employees, Teachers, Police Officers, and Firefighters, respectively. The State's total unfunded accrued liability at June 30, 2001 is $5,071,383.

** Excludes percentage for unfunded accrued liability contribution.

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

AMOUNTS CONTRIBUTED

(in thousands)

	(FY 2001)				(FY 2000)			
Member Category	Member Normal Share	Employer Normal Share*	Employer Accrued Liability*	Total Contributions	Member Normal Share	Employer Normal Share*	Employer Accrued Liability*	Total Contributions
Employees	$34,791	$26,699	$135	$ 61,625	$33,443	$25,342	$201	$58,986
Teachers	36,189	28,945	107	65,241	33,755	26,758	108	60,621
Police Officers	16,417	12,343	466	29,226	14,886	11,300	476	26,662
Firefighters	6,602	5,779	182	12,563	6,153	5,457	186	11,796
Total Contributed	**$93,999**	**$73,766**	**$890**	**$168,655**	**$88,237**	**$68,857**	**$971**	**$158,065**

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

AMOUNTS CONTRIBUTED EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL

	(FY 2001)				(FY 2000)			
Member Category	Member Normal Share	Employer Normal Share	Employer Accrued Liability	Total	Member Normal Share	Employer Normal Share	Employer Accrued Liability	Total
Employees	5.14%	3.95%	0.02%	9.11%	5.41%	4.10%	0.03%	9.54%
Teachers	5.17%	4.13%	0.02%	9.32%	5.29%	4.20%	0.02%	9.51%
Police Officers	9.57%	7.20%	0.27%	17.04%	10.35%	7.86%	0.33%	18.54%
Firefighters	9.78%	8.56%	0.27%	18.61%	10.17%	9.01%	0.31%	19.49%
Total Contributed	**5.82%**	**4.57%**	**0.06%**	**10.45%**	**6.05%**	**4.72%**	**0.06%**	**10.83%**

The following table shows the percentages of gross payroll contributed by the State, other contributing employers, and members to provide postretirement medical premiums for certain Group II members.

PERCENT OF COVERED PAYROLL FOR POSTRETIREMENT MEDICAL PREMIUMS

	(FY 2001)				(FY 2000)			
	Member Normal Share	Employer Normal Share			Member Normal Share	Employer Normal Share		
Member Category		State	Local	Total		State	Local	Total
Employees								
State	—	1.31%	—	1.31%	—	—	—	—
Local	—	—	1.31%	1.31%	—	—	—	—
Teachers	—	0.48%	0.89%	1.37%	—	0.36%	0.67%	1.03%
Police Officers	—	0.83%	1.54%	2.37%	—	0.62%	1.16%	1.78%
Firefighters	—	0.97%	1.80%	2.77%	—	0.73%	1.35%	2.08%

For the purpose of determining the actuarial value of assets to be used in computing employer pension contribution rates, the actuary uses a five-year moving average of fair values based on unit values. The initial value is then compared with book value and fair value of assets and the middle value is used to compute contribution rates.

The computation of the forecasted employer pension contribution rates effective for fiscal year 2001 was performed as part of the June 30, 1997 actuarial valuation of the System and was based on the open group aggregate method and a 9% interest assumption. As required by RSA 100-A:16 II(d), the results of the open group aggregate method cannot be less than the normal rates required to maintain a funded ratio of 130% over a 20 year horizon and an 8% interest rate. It is the practice of the System to use as actual contribution rates the forecast rates from the previous valuation. By using the forecast rates, the System 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 2001 and 2000 fiscal years were based on the June 30, 1997 actuarial valuations as required by the Board of Trustees.

A reconciliation of the normal rates determined in the June 30, 1999 valuation to the normal rates determined in the June 30, 2001 valuation is provided below. This reconciliation outlines the effects on the normal contribution rates of the changes in System benefits and actuarial assumptions that have occurred since the June 30, 1999 actuarial valuation.

Reconciliation of the Actuarial Projected Employer Normal Contribution Rates as of June 30, 2001 (Exclusive of Administrative Expense Loading)

	Employees	Teachers	Police Officers	Firefighters
Forecasted Employer Normal Rates as Determined by 6/30/1999 Valuation*	4.14%	3.97%	8.20%	10.17%
Decremental Experience	.13	.04	.32	.38
Pensioners' Experience	.03	.01	.04	.12
Excess Salary Increases	—	(.10)	.37	.57
Assets Different than Expected	.20	.25	.60	.67
Current New Entrants	(.05)	(.07)	(.06)	(.06)
Assumption Changes**	.72	(.70)	1.24	2.67
Balancing Items	(.05)	.04	(.24)	(.11)
Forecasted Employer Normal Rates as Determined by 6/30/2001 Valuation	5.12%	3.44%	10.47%	14.41%

This reconciliation is based on the open group aggregate method and a 9% interest rate.

* Excludes administrative expense of 0.30%

** Includes new entrant population assumption changes.

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

NET ASSETS HELD IN TRUST FOR BENEFITS	(in thousands) JUNE 30 2001	2000
Employees	$1,033,867	$1,145,220
Teachers	1,418,896	1,548,612
Police Officers	643,767	697,455
Firefighters	292,288	319,810
Special Account	609,845	731,648
Special Medical Account	263,995	239,078
401(h) Subtrust	72,083	72,460
Administrative Assessment	5,529	4,636
TOTAL NET ASSETS HELD IN TRUST FOR BENEFITS	**$4,340,270**	**$4,758,919**

SPECIAL ACCOUNT

RSA 100-A:16, II(h) established a Special Account for additional benefits. Prior to July 1, 1996, the Special Account was credited annually with all of the earnings on an actuarial basis of the Special Account assets plus a portion of the earnings of the remaining assets of the System in excess of the assumed rate of return. For the fiscal years from July 1, 1992, the annual rate of return was set at 9% by the Board of Trustees. For the year ended June 30, 1992, the assumed rate of return was set at 9.75%; however, special legislation adopted for Fiscal 1992 required that only returns in excess of 10% be credited to the Special Account. For the years ended June 30, 1991 and prior, the assumed rate of return was set at 8%.

Beginning with the fiscal year ended June 30, 1997, the Special Account is credited annually with all of the earnings of the Special Account assets plus the earnings of the remaining assets of the System 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 9% for the year ended June 30, 2001; thus, for the year ended June 30, 2001 earnings in excess of 9.50%, if any, have been credited to the Special Account.

As of June 30, 2001, the balance of the Special Account was $609.8 million. The comparable figure for June 30, 2000 was $731.6 million. Legislation costing $227.4 million which was enacted during the 2001 legislative session, with an effective date after June 30, 2001, 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 System.

MEDICAL SPECIAL ACCOUNT

RSA 100-A:53 established the Medical Special Account to provide postretirement medical premiums for certain Group I Employees and Teachers, and Group II Police Officers and Firefighters effective January 1, 2001, January 1, 2000, and July 1, 1988, respectively. The Medical Special Account reimburses the Pension Trust in an amount equal to the funds allocated to the Medical Plan Subtrust. The reimbursements are to continue until the benefits provided through the Medical Plan Subtrust are fully funded or until the Medical Special Account has no assets.

NOTE 7—CONTINGENCIES

In the opinion of management and legal counsel, there are no contingent matters that would have a material adverse effect on the System's financial status.

NOTE 8—ADMINISTRATIVE ASSESSMENT

Administrative Assessments were collected from participating employers at a rate of 0.3 percent of reported gross wages for the years ended June 30, 2001 and June 30, 2000. These funds are used for the administrative operations of the System, consisting of salaries for 52 full-time employees and other administrative expenses. Payments are made periodically to the State Treasurer to offset State expenditures for System administrative functions. The assessment rate is reviewed by the Board of Trustees every two years to ensure that the projected revenues will match the estimated expenses. The administrative assessment rate is officially established by the State's operating budget. A schedule of the administrative assessment account is shown on the next page.

Legislation was enacted during the fiscal year 2001 legislative session that requires future administrative costs to be funded directly from the pension plan. Administrative assessment balances accrued prior to June 30, 2001 are to be retained by the System and expended for ongoing operations.

Reconciliation of Administrative Assessment Account:	(in thousands)	
	YEAR ENDED JUNE 30	
	2001	2000
Balance at Beginning of Year	$4,636	$2,014
Administrative Assessments	5,298	5,975
Less: Expenses	(4,405)	(3,353)
Balance at End of Year	**$5,529**	**$4,636**

NOTE 9—LEASE COMMITMENTS

The System leases its administrative facility under a twenty-year lease agreement. The lease contract, effective February 1, 1993, stipulates a base annual lease expense of $96.6 thousand with a rate increase of 4% at two year intervals. The System pays the taxes, utilities and maintenance of the facility. All lease expenses and other costs of operating the administrative facility are paid from the Administrative Assessment Account. The facility is part of the System's commercial real estate portfolio and is forecasted to generate an internal rate of return over a ten year period of 10.94%.

Under the terms of this lease, the System is required to make rental payments over the life of the lease, exclusive of taxes, utilities and maintenance, as shown below:

SCHEDULE OF FUTURE LEASE PAYMENTS		(in thousands)
	2002	$ 113.0
	2003	114.5
	2004	117.5
	2005	119.1
	2006	122.2
	Later years	875.1
TOTAL FUTURE LEASE PAYMENTS		**$ 1,461.4**

The System paid $110.1 thousand and $108.7 thousand for lease expenses attributable to office rent for the fiscal years ended June 30, 2001 and June 30, 2000, respectively.

NOTE 10—COMPENSATED ABSENCES

Every continuing full-time employee of the System is entitled to annual and sick leave with full pay on the basis of the employee's scheduled work week and years of service in accordance with State of New Hampshire personnel rules and regulations. Annual and sick leave is computed at the end of each completed month of service. Employees rendering seasonal or temporary service in excess of six months are entitled to annual and sick leave comparable to full-time employees.

Annual and sick leave is cumulative for not more than the prescribed amounts and will not lapse within the prescribed ceilings. The maximum annual accrual ranges from 12 to 24 days for annual leave and 15 days for sick leave. The maximum cumulative accrual ranges from 30 to 48 days for annual leave and from 90 to 120 days for sick leave. At the end of each fiscal year, additional annual leave (Bonus Days) is computed based on the amount of sick leave taken during the year. The maximum annual accrual for bonus is four days.

Unused annual and sick leave and bonus days are a liability of the Administrative Assessment Fund and are recorded as an accrued liability in the financial statements of the System. Payment for compensated absences is considered an administrative expense and is provided for with funds from the Administrative Assessment account.

Required Supplementary Information

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES—PENSION PLAN (UNAUDITED)

Fiscal Year	Classification	Annual Required Contribution (ARC)* (in thousands)	Percent of ARC Recognized as Contributions
2001	Employees	$26,411	100.00%
	Teachers	29,025	100.00%
	Police Officers	12,792	100.00%
	Firefighters	5,960	100.00%
2000	Employees	25,443	100.00%
	Teachers	26,836	100.00%
	Police Officers	11,776	100.00%
	Firefighters	5,643	100.00%
1999	Employees	23,084	100.00%
	Teachers	24,957	100.00%
	Police Officers	7,984	100.00%
	Firefighters	5,251	100.00%
1998	Employees	22,174	100.00%
	Teachers	23,769	100.00%
	Police Officers	7,899	100.00%
	Firefighters	5,016	100.00%
1997	Employees	17,270	100.00%
	Teachers	18,844	100.00%
	Police Officers	5,700	100.00%
	Firefighters	4,250	100.00%
1996	Employees	16,921	100.00%
	Teachers	18,247	100.00%
	Police Officers	5,479	100.00%
	Firefighters	4,149	100.00%

* Includes unfunded accrued liability contributions, excludes oversight contributions.

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS POSTRETIREMENT MEDICAL PLAN (UNAUDITED)

Fiscal Year	Classification	Annual Required Contribution (ARC)* (in thousands)	Percent of ARC Recognized as Contributions
2001	Employees	$2,585	100.00%
	Teachers	9,758	100.00%
	Police Officers	4,074	100.00%
	Firefighters	1,900	100.00%
2000	Teachers	3,858	100.00%
	Police Officers	2,826	100.00%
	Firefighters	1,353	100.00%
1999	Police Officers	1,884	100.00%
	Firefighters	1,275	100.00%
1998	Police Officers	1,797	100.00%
	Firefighters	1,246	100.00%
1997	Police Officers	1,223	100.00%
	Firefighters	1,050	100.00%
1996	Police Officers	1,112	100.00%
	Firefighters	984	100.00%

* Excludes premiums paid for members retired prior to June 30, 2000.

NOTES TO TREND DATA

The Schedules of Employer Contributions shown on the previous page were based on the following information:

Valuation Date:	
Schedules of Employer Contributions—FY 2001	June 30, 1997.
Actuarial Cost Method:	Open group aggregate with target funding as a minimum.
Amortization Method for Unfunded Accrued Liability:*	Level percent of pay and level dollar amount.
Remaining Amortization Period for Unfunded Accrued Liability:*	Varies by employer and classification.
Asset Valuation Method:	5 year moving average.
Actuarial Assumptions:	
Investment Rate of Return	9% (Includes inflation at 4%).
Projected Salary Increases	Graded scale equates to an annual average of 6% (Includes inflation at 4%).
Cost of Living Adjustments	None.
Increase in Medical Premiums	8%.

* Accrued liability contributions have been retained under the open group aggregate method out of equity to the various plan sponsors.

SUPPORTING SCHEDULES

COMMERCIAL REAL ESTATE INVESTMENTS BY TYPE

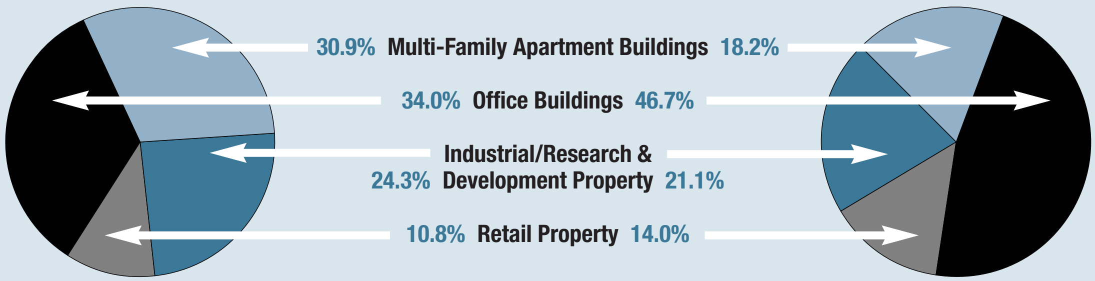
(in thousands)

	JUNE 30 2001	2000
Office Buildings	$140,905	$144,314
Multi-Family Apartment Buildings	127,779	56,213
Retail Property	44,750	43,188
Industrial/Research & Development Property	100,625	65,100
TOTAL COMMERCIAL REAL ESTATE INVESTMENTS BY TYPE	**$414,059**	**$308,815**

Property Type Diversification

At June 30, 2001

At June 30, 2000



COMMERCIAL REAL ESTATE INVESTMENTS BY LOCATION

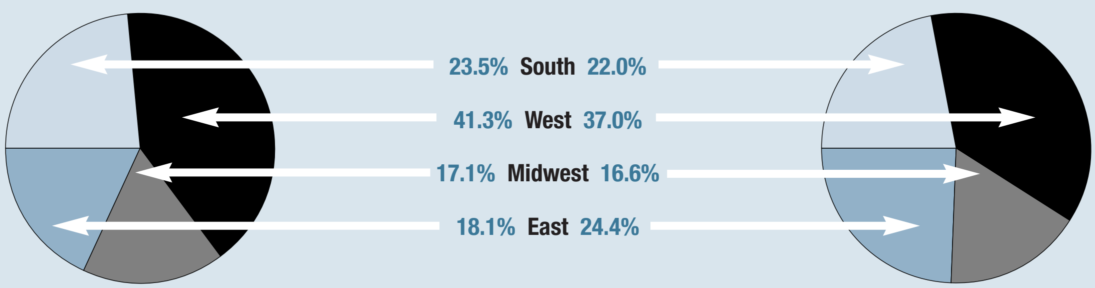
(in thousands)

	JUNE 30 2001	200
West	$171,182	$114,322
East	75,098	75,351
South	97,130	67,978
Midwest	70,649	51,164
TOTAL COMMERCIAL REAL ESTATE INVESTMENTS BY LOCATION	**$414,059**	**$308,815**

Property Location Diversification

At June 30, 2001

At June 30, 2000



TIMBERFUNDS AND ALTERNATIVE INVESTMENTS

	JUNE 30 2001	2000
TIMBERFUND INVESTMENTS	(in thousands)	
Domestic Timberfunds:		
Mutual Life Insurance Co. of New York B Fund	$ 25,916	$ 25,484
UBS Timber Investors—RII Timberland 3, LLC	25,273	25,714
International Timberfunds:		
UBS Timber Investors—RII Chile, Ltd.	22,208	22,625
UBS Timber Investors—RII New Zealand Properties I, Inc.	29,654	28,018
UBS Timber Investors—RII New Zealand Properties II, Inc.	9,621	9,658
UBS Timber Investors—RII World Timberfund, L.L.C.	14,676	12,033
TOTAL TIMBERFUND INVESTMENTS	**$127,348**	**$123,532**

ALTERNATIVE INVESTMENTS	(in thousands)	
Vintage 1986–1990:		
Southern California Ventures II, L.P.	$ —	$ 167
Euclid Partners III, L.P.	221	272
Energy Investors Fund I, L. P.	3,055	3,311
Sprout Capital VI, L.P.	858	4,512
Coral Partners II, L.P.	907	5,332
Lawrence, Tyrell, Ortale & Smith II, L.P.	350	1,650
Vintage 1991–1995:		
Venture Capital Fund of New England III, L.P.	1,813	1,979
New England Growth Fund I, L P.	738	1,385
Castle Harlan Partners II, L.P.	2,480	2,790
Schroder German Buy-Outs 1992, L.P.	508	478
Energy Investors Fund II, L.P.	5,448	5,359
Coral Partners IV, L.P.	5,169	11,428
Richland Ventures, L.P.	1,895	2,953
Zero Stage Capital Fund V, L.P.	5,861	17,786
Euclid Partners IV, L.P.	2,136	4,147
APA Excelsior IV, L.P.	13,140	27,799
Sprout Capital VII, L.P.	9,878	19,593
Allegra Capital Partners III, L.P.	2,183	10,791
Vintage 1996–2000:		
North Atlantic Venture Fund II, L.P.	5,452	5,572
New England Growth Fund II, L.P.	8,751	10,588
TCW/Crescent Mezzanine Partners, L.P.	6,597	6,989
Richland Ventures II, L.P.	8,484	10,736
HEV III US, L.P.	14,635	14,248
Castle Harlan Partners III, L.P.	14,248	12,366
Brand Equity Ventures I, L.P.	4,659	10,311
Prism Venture Partners I, L.P.	15,948	30,214
Coral Partners V, L.P.	7,315	7,600
Sprout Capital VIII, L.P.	11,170	17,051
APA Excelsior V, L.P.	16,940	21,444
Zero Stage Capital Fund VI, L.P.	16,640	20,423
RFE Investment Partners VI, L.P.	4,407	1,409
Prism Venture Partners II, L.P.	35,802	23,898
Weiss, Peck & Greer Venture Associates V, LLC	8,587	8,527
Prism Venture Partners III, L.P.	12,813	2,970
Brand Equity Ventures II, L.P.	2,774	399
APAX Excelsior VI, L.P.	5,004	1,120
Vintage 2001–2005:		
Castle Harlan Australian Mezzanine Partners, L.P.	2,248	—
Euclid SR Partners, L.P.	7,080	—
Crescendo IV, L.P.	8,599	—
Zero Stage Capital Fund VII, L.P.	5,991	—
Sterling Venture Partners, L.P.	3,518	—
Weiss, Peck & Greer Venture Associates VI, L.P.	2,760	—
TOTAL ALTERNATIVE INVESTMENTS	**$287,062**	**$327,597**

CONTRIBUTIONS	(in thousands)	
	YEAR ENDED JUNE 30	
	2001	2000
CONTRIBUTIONS—PENSION PLAN		
EMPLOYER CONTRIBUTIONS:		
Employees	$24,249	$ 25,543
Teachers	12,278	15,984
Police Officers	6,772	6,849
Firefighters	2,784	2,919
TOTAL EMPLOYER CONTRIBUTIONS	**46,083**	**51,295**
STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS:		
Employees	—	—
Teachers	7,016	7,025
Police Officers	1,963	2,102
Firefighters	1,277	1,369
TOTAL STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS	**10,256**	**10,496**
PLAN MEMBER CONTRIBUTIONS:		
Employees	34,791	33,443
Teachers	36,189	33,755
Police Officers	16,417	14,886
Firefighters	6,602	6,153
TOTAL PLAN MEMBER CONTRIBUTIONS	**93,999**	**88,237**
POSTRETIREMENT MEDICAL PLAN CONTRIBUTIONS ON BEHALF OF EMPLOYERS:		
Employees	2,585	—
Teachers	9,758	3,858
Police Officers	4,074	2,826
Firefighters	1,900	1,353
TOTAL POSTRETIREMENT MEDICAL PLAN CONTRIBUTIONS ON BEHALF OF EMPLOYERS	**18,317**	**8,037**
TOTAL CONTRIBUTIONS—PENSION PLAN	**$168,655**	**$158,065**
CONTRIBUTIONS—POSTRETIREMENT MEDICAL PLAN		
EMPLOYER NORMAL:		
Employees	$ 2,585	$ —
Teachers	6,250	1,517
Police Officers	3,092	2,126
Firefighters	1,262	896
TOTAL EMPLOYER NORMAL CONTRIBUTIONS	**13,189**	**4,539**
STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS:		
Teachers	3,508	2,341
Police Officers	982	700
Firefighters	638	457
TOTAL STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS	**5,128**	**3,498**
TOTAL CONTRIBUTIONS—POSTRETIREMENT MEDICAL PLAN	**$ 18,317**	**$ 8,037**
TOTAL CONTRIBUTIONS	**$ 186,972**	**$166,102**

NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS

(in thousands)

	YEAR ENDED JUNE 30 2001	2000
Equity Investments:		
Domestic	($347,207)	$241,237
International	(116,054)	61,646
Fixed Income Investments:		
Domestic	37,944	(19,846)
Global	(10,190)	(9,843)
Commercial Real Estate	(8,407)	20,240
Timberfunds:		
Domestic	21	3,636
International	2,764	5,976
Alternative Investments:		
Vintage 1986–1990	(1,693)	4,640
Vintage 1991–1995	(26,264)	54,613
Vintage 1996–2000	(10,208)	57,912
Vintage 2001–2005	(1,837)	—
Temporary Investments	233	1,398
NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS	**($480,898)**	**$421,609**

INTEREST INCOME	(in thousands)	
	YEAR ENDED JUNE 30	
	2001	2000
Fixed Income Investments:		
Domestic	$61,691	$54,444
Global	9,667	8,939
Temporary Investments	420	681
Cash	387	305
Other	15	5
TOTAL INTEREST INCOME	**$72,180**	**$64,374**

DIVIDEND INCOME	(in thousands)	
	YEAR ENDED JUNE 30	
	2001	2000
Equity Investments:		
Domestic	$34,638	$28,653
International	6,895	5,845
TOTAL DIVIDEND INCOME	**$41,533**	**$34,498**

TIMBERFUND AND ALTERNATIVE INVESTMENT INCOME (LOSS)	(in thousands)	
	YEAR ENDED JUNE 30	
	2001	2000
Timberfunds:		
Domestic	($353)	($ 226)
International	390	55
TOTAL TIMBERFUND INCOME (LOSS)	**$ 37**	**($ 171)**
Alternative Investments:		
Vintage 1986–1990	$251	$ 667
Vintage 1991–1995	143	604
Vintage 1996–2000	479	2,496
Vintage 2001–2005	(363)	—
TOTAL ALTERNATIVE INVESTMENT INCOME (LOSS)	**$510**	**$ 3,767**

COMMERCIAL REAL ESTATE INVESTMENTS OPERATING INCOME AND EXPENSES

(in thousands)

	OPERATING INCOME YEAR ENDED JUNE 30		OPERATING EXPENSES YEAR ENDED JUNE 30		NET OPERATING INCOME YEAR ENDED JUNE 30	
	2001	2000	2001	2000	2001	2000
Office Buildings	$36,254	$36,889	$19,884	$21,365	$16,370	$15,524
Multi-Family Apartment Buildings	19,823	13,222	11,448	8,172	8,375	5,050
Retail Property	9,128	8,737	4,930	5,365	4,198	3,372
Industrial/Research & Development Property	12,749	7,182	4,537	3,255	8,212	3,927
TOTAL	**$77,954**	**$66,030**	**$40,799**	**$38,157**	**$37,155**	**$27,873**

INVESTMENT ACTIVITY FEES AND OTHER INVESTMENT RELATED EXPENSES

(in thousands)

	YEAR ENDED JUNE 30 2001	2000
INVESTMENT ACTIVITY FEES:		
Equity Investments:		
Domestic	$9,500	$10,560
International	1,933	2,030
Fixed Income Investments:		
Domestic	1,918	1,979
Global	514	664
Timberfunds:		
Domestic	377	372
International	330	332
Alternative Investments:		
Vintage 1986–1990	292	351
Vintage 1991–1995	1,457	1,731
Vintage 1996–2000	5,380	4,672
Vintage 2001–2005	2,598	—
Commercial Real Estate	3,857	3,275
Commercial Real Estate Operating Expenses	40,799	38,157
Custodial Fees	634	1,067
Investment Advisor Fees	461	483
TOTAL INVESTMENT ACTIVITY FEES	**70,050**	**65,673**
OTHER INVESTMENT RELATED EXPENSES:		
Securities Lending Borrower Rebates	24,856	27,291
Securities Lending Management Fees	687	902
Other Investment Related Fees	108	93
TOTAL INVESTMENT ACTIVITY FEES AND OTHER INVESTMENT RELATED EXPENSES	**$95,701**	**$93,959**

BENEFITS	(in thousands)	
	YEAR ENDED JUNE 30	
	2001	2000
PENSION BENEFITS AND ADDITIONAL ALLOWANCES:		
Employees	$71,504	$ 65,226
Teachers	71,337	63,027
Police Officers	37,227	32,548
Firefighters	20,048	16,688
TOTAL PENSION BENEFITS AND ADDITIONAL ALLOWANCES	**200,116**	**177,489**
POSTRETIREMENT HEALTH INSURANCE PREMIUM SUBSIDY:		
Employees	596	—
Teachers	5,536	2,110
Police Officers	4,462	3,866
Firefighters	2,476	2,148
TOTAL POSTRETIREMENT HEALTH INSURANCE PREMIUM SUBSIDY	**13,070**	**8,124**
TOTAL BENEFITS	**$213,186**	**$185,613**

REFUNDS OF CONTRIBUTIONS	(in thousands)	
	YEAR ENDED JUNE 30	
	2001	2000
Employees	$ 9,398	$ 9,996
Teachers	4,698	6,381
Police Officers	2,674	2,839
Firefighters	209	269
TOTAL REFUNDS OF CONTRIBUTIONS	**$16,979**	**$19,485**

ADMINISTRATIVE EXPENSES

(in thousands)

	2001 EXPENSE	2001 BUDGET*	OVER (UNDER) BUDGET	2000 EXPENSE	2000 BUDGET*	OVER (UNDER) BUDGET
Salaries and Wages	$1,611	$1,670	($ 59)	$1,372	$1,616	($ 244)
Fringe Benefits	705	567	138	437	523	(86)
Supplies, Utilities and Postage	270	348	(78)	286	347	(61)
Organizational Dues	4	5	(1)	3	4	(1)
Equipment	230	295	(65)	129	175	(46)
Travel	41	56	(15)	39	57	(18)
State Services	64	54	10	84	84	—
Office Rents and Expenses	232	249	(17)	200	212	(12)
Computer Support and System Development	1,099	996	103	635	1,822	(1,187)
Consulting	149	316	(167)	165	316	(151)
Unemployment Compensation	—	2	(2)	—	1	(1)
Workers Compensation	—	1	(1)	3	3	—
TOTAL	**$4,405**	**$4,559**	**($154)**	$3,353	$5,160	($1,807)

* 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 comprised of encumbrances and non-lapsing appropriations.

PROFESSIONAL FEES

(in thousands)

	YEAR ENDED JUNE 30 2001	2000
Actuarial Fees	$430	$713
Audit Fees	98	95
Legal Fees	95	64
TOTAL PROFESSIONAL FEES	**$623**	**$872**

MEMBERSHIP COMPOSITION

	JUNE 30 2001	JUNE 30 2000#
ACTIVE CONTRIBUTING MEMBERS:		
Employees	24,413	22,090
Teachers	17,718	16,034
Police Officers	4,125	3,791
Firefighters	1,433	1,364
TOTAL ACTIVE CONTRIBUTING MEMBERS	**47,689***	**43,279***
RETIRED MEMBERS:		
Employees	8,406	8,294
Teachers	4,518	4,569
Police Officers	1,586	1,509
Firefighters	906	863
TOTAL RETIRED MEMBERS	**15,416****	**15,235****

Estimated as there was no full actuarial valuation prepared as of June 30, 2000.

* Excludes inactives.

** Excludes vested deferred members.

PAYMENTS FROM THE STATE GENERAL FUND

(in thousands)

	YEAR ENDED JUNE 30 2001	YEAR ENDED JUNE 30 2000
State Share of Accrued Liability Contributions*	$ 972	$ 950
State Share of Normal Contributions for Local Employers	15,098	14,053
State Payments for Health Insurance for Retired State Members	17,464	16,111
TOTAL STATE GENERAL FUND PAYMENTS EXCLUSIVE OF NORMAL CONTRIBUTIONS FOR STATE MEMBERS	**$33,534**	**$31,114**

* At June 30, 2001 and 2000, the System had accrued $5.1 million and $5.2 million, respectively, in accounts receivable due from the State of New Hampshire. The $5.1 million owed by the State of New Hampshire was paid in full by the State on August 14, 2001.

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Investment Section

Investment Consultant's Report

Evaluation Associates

200 Connecticut Avenue, Suite 700, Norwalk, Connecticut 06854-1958 (203) 855-2200
FAX: (203) 855-2301
http://www.eval-assoc.com

November 7, 2001

The New Hampshire Retirement System
Board of Trustees
4 Chenell Drive
Concord, NH 03301-8509

Ladies and Gentlemen:

The New Hampshire Retirement System (System) manages a pool of assets for both the Pension Plan and the Postretirement Medical Plan. As of June 30, 2001, the total net assets for the two plans were valued at approximately $4,340.3 million. This represents a decline of $418.6 million over the previous fiscal year. The decrease in net assets represents realized and unrealized losses on investments, investment income and contributions further reduced by deductions for benefit payments and investment expenses.

For the fiscal year ended June 30, 2001, there was $480.9 million net depreciation reported in the fair value of investments. The depreciation in investments, combined with investment income represented a –6.7% time-weighted return for the total fund for the fiscal year ended June 30, 2001.

The data presented in this report regarding investment results, asset allocations, brokerage commissions, investment management expenses and other investment related activity is based on data reported by the master custodian and the investment managers. Based on the due diligence procedures applied by us, we conclude that the data presented is accurate and reliable and meets the presentation standards of the Association of Investment Management and Research (AIMR).

The Board of Trustees (Board) pursues an investment strategy designed to meet the long term funding requirements for the System with an ultimate goal of maintaining a well-funded pension plan. To achieve this goal, the Board has designed its investment strategy to generate consistent high returns over the years with an appropriate low level of volatility.

The Board has managed the System's investments based on the "Prudent Investor Rule" as adopted by the New Hampshire Legislature. This rule ensures that the Board, as fiduciary, will "exercise judgment and care which persons of prudence, discretion and intelligence, acting in like capacity, would use in the conduct of a pension plan of like character and with like aims." The emphasis here is on diversification of investments to minimize risk.

To that end, the System has established a comprehensive statement of investment policy and guidelines complete with target asset allocations, policy ranges and a re-balancing strategy. This document serves as a procedural manual for the Board and investment managers to follow in pursuing the investment goals of the System. These guidelines serve as a means of communicating to the investment managers the Board's attitude towards risk and return as it relates to the management of the System's assets. In addition, an asset allocation study is authorized by the Board and conducted every five years; input is sought from our firm, the System's actuary, as well as the System's commercial real estate consultant before any changes are made. Such a study determines the mix of investments, by asset class, which has the highest probability of producing the real (inflation adjusted) return required to meet future funding requirements at the lowest level of risk. The last study was performed in 2001.

Our role, as investment consultants to the Board, is to guide the Board in establishing clear and concise investment guidelines and investment programs and to help the Board in the search for qualified investment managers to execute investment strategies and programs. In addition, we conduct investment performance analyses on a regular basis and perform reviews of managers' compliance with the investment guidelines. The periodic performance reports presented to the Board meet the AIMR standards and are designed to help the Board make informed investment decisions.

The System allows its managers to defensively hedge positions for non-dollar investments using currency forward contracts. It is our opinion that the hedging transactions entered into by the investment managers during this fiscal year were consistent with the System's guidelines and prudent investment management strategy. With respect to derivative securities, approximately 4.4% of the total investments were invested in mortgage-backed securities. Investments in mortgage-backed securities in the fixed income portfolios are permitted by the Board, because a large portion of securities in this sector of the fixed income market are traded in a derivative form. Futures are held by the System for duration management. The futures market is more liquid than the 30-year Treasury market, so these securities allow for easier management of interest rate exposure. Consistent with the Board's view, we are comfortable with this minimal level of exposure to derivative securities as these positions add to the overall diversification of the fixed income portfolio.

In an effort to manage overall trading costs for the System's investments, the Board has in place trading agreements with domestic equity managers to direct predetermined trades through identified discount brokerage firms. The trades are directed on a best execution basis and this results in commission recapture on trades discounted to approximately 2.5 to 3.0 cents per share. The Board is mindful that the handling of difficult trades by specialists may be required, especially for smaller to middle capitalization companies, for best execution. For this reason, the Board refrains from directing 100% of the trades through the discount brokers who are not able to provide the necessary trading expertise. The combination of both the trading strategies, in our view, is prudent and appropriate.

The Board of Trustees, as fiduciaries of the System, view their responsibility seriously for maintaining corporate governance to preserve shareholders' interest for the Systems' investments. The actual proxy voting responsibility is delegated to the individual managers. However, the System proactively reviews its previously established proxy voting guidelines for domestic equity. A well-known consulting firm in this field oversees and reports compliance with the proxy voting guidelines.

A set of guidelines for international equity is not practical as it varies from country to country and, given the size of the System's investments in international equity, the cost associated with establishing proxy voting guidelines for international equity would be inefficient. However, the international managers are expected to follow domestic equity proxy voting guidelines wherever appropriate.

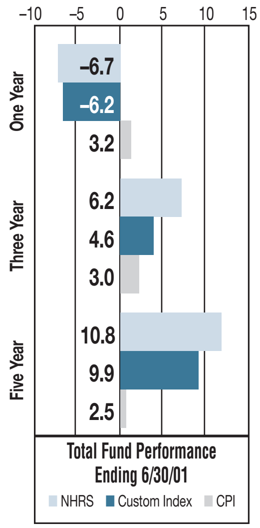
As we mentioned earlier, the Board of Trustees have been managing the investments of the System according to the "Prudent Investor Rule" which, over the years, has generated consistent returns at the lowest level of risk. The "Prudent Investor Rule" is granted to the Board by the New Hampshire State Legislature and the current authorization will expire on June 30, 2003 and is subject to review for renewal.

We continue to recommend that the Legislature allow the NHRS to operate under the "Prudent Investor Rule" on a permanent basis so that the Board can invest the System's assets in a manner consistent with modern portfolio theory, which the majority of other public pension plans currently follow.

Sincerely,

Anthony V. Minopoli

Anthony V. Minopoli
Vice President
Evaluation Associates



ANNUALIZED INVESTMENT RETURNS—ACTUAL VERSUS INDICES

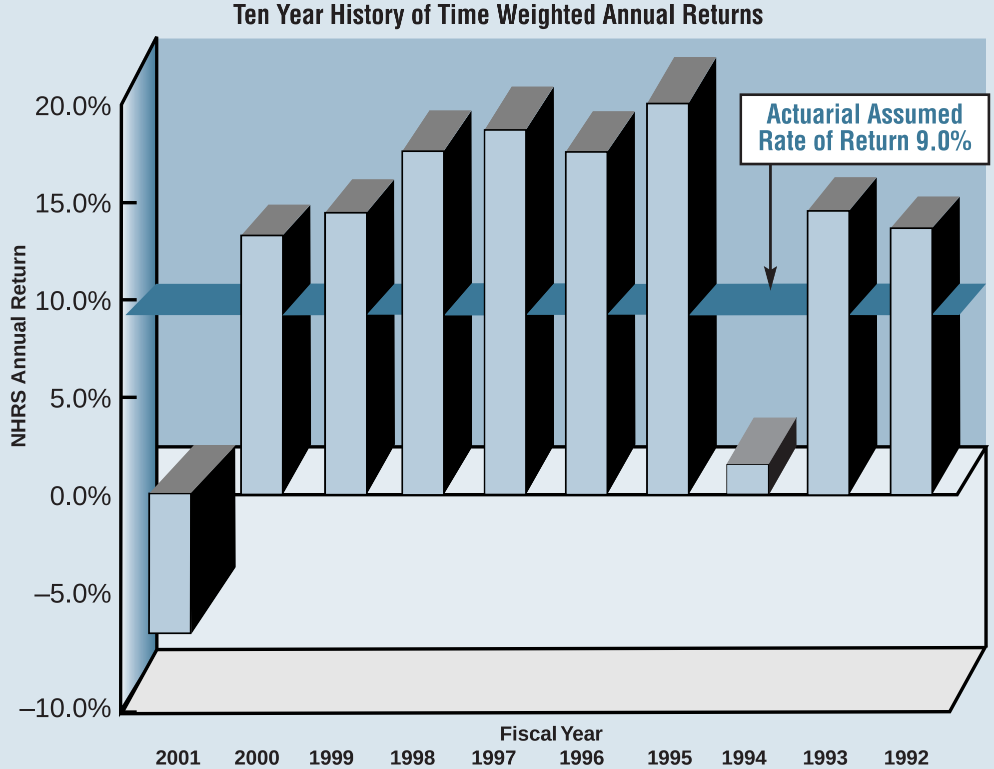
	Current Year 2001	Annualized 3 Year	Annualized 5 Year
Total NHRS Fund	–6.7 %	6.2 %	10.8 %
Consumer Price Index	3.2	3.0	2.5
Custom Index*	–6.2	4.6	9.9
Total Equity Segment	–14.5	4.7	11.2
S&P 500 Index	–14.8	3.9	14.5
MSCI EAFE Index	–23.6	–1.2	2.9
Total Fixed Income Segment	9.8	5.1	7.1
Lehman Brothers Government/Credit Bond Index	11.1	6.0	7.4
J.P. Morgan Govt Bond Index	–2.5	1.2	2.8
Commercial Real Estate Segment	4.0	10.9	13.4
NCREIF Property Index	11.2	11.9	12.7
Consumer Price Index	3.2	3.0	2.5
Cash Equivalents Segment	5.9	5.4	5.4
ML 91 Day T-Bill Index	5.9	5.4	5.4
Alternative Investments Segment**	–14.7	20.7	19.9
Timberfunds Segment**	2.4	4.7	8.1

The returns are calculated using a time-weighted rate of return in accordance with AIMR's Performance Presentation Standards.

* The custom index is a blended index which is formulated from major market indices in proportion to the System's asset diversification in equity and fixed income securities.

** There is not a generally accepted market index for alternative investments or timberfunds.

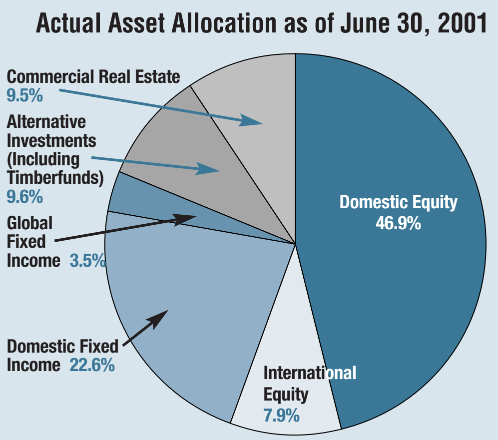
Ten Year History of Time Weighted Annual Returns

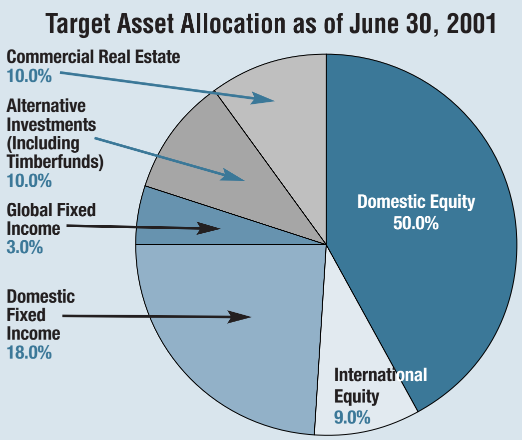


ACTUAL ASSET ALLOCATION VERSUS TARGET ASSET ALLOCATION

		As of June 30, 2001	
	Actual %	*Target %	*Target Range %
Domestic Equity	46.9 %	50.0 %	40–60
International Equity	7.9	9.0	5–15
Domestic Fixed Income	22.6	18.0	15–25
Global Fixed Income	3.5	3.0	0– 5
Alternative Investments (Including Timberfunds)	9.6	10.0	5–15
Commercial Real Estate	9.5	10.0	0–10
TOTAL FUND	100.0 %	**100.0 %**	

* Targets and Ranges as stated in The System's Investment Policy and Guidelines.





TEN LARGEST STOCK HOLDINGS BY FAIR VALUE*

(in thousands)

	Shares	Stock	June 30, 2001 Fair Value
1	1,053,361	Citigroup Inc.	$55,660
2	555,466	Verizon Communications	29,717
3	236,650	International Business Machines	26,741
4	481,200	Tyco International Ltd.	26,225
5	301,100	American International Group Inc.	25,895
6	292,400	Federal National Mortgage Association	24,898
7	490,828	General Electric Co.	23,928
8	464,850	Abbott Labs	22,317
9	346,810	Morgan Stanley Dean Witter & Co.	22,276
10	560,490	FleetBoston Financial Corp.	22,111

TEN LARGEST FIXED INCOME HOLDINGS BY FAIR VALUE*

(in thousands)

	Par	Security	June 30, 2001 Fair Value
1	17,465,000	U.S. Treasury Notes, 5.25%, Due 08/15/2003, Rated AAA	$17,787
2	15,528,830	FHLMC Bonds, 7.00%, 08/15/2025, Rated AAA	15,888
3	11,990,000	U.S. Treasury Bonds, 8.13%, Due 08/15/2019, Rated AAA	14,936
4	12,905,000	FHLMC Debentures, 7.00%, Due 07/15/2005, Rated AAA	13,634
5	15,365,000	Republic of Italy, 5.50%, Due 01/11/2010, Rated Aa3	13,129
6	14,900,000	Federal Republic of Germany, 5.25%, Due 04/07/2010, Rated Aaa	12,819
7	12,125,000	FNMA TBA, 7.50%, Due 07/01/2030, Rated AAA	12,372
8	15,015,000	Federal Republic of Germany, 4.00%, Due 04/07/2009, Rated AAA	11,991
9	11,461,913	FNMA Pool, 7.00%, Due 12/01/2029, Rated AAA	11,541
10	11,240,000	FNMA Notes, 5.125%, 02/13/2004, Rated AAA	11,293

* A complete listing of portfolio holdings is available for review at the System's office.

SCHEDULE OF INVESTMENT MANAGEMENT AND SERVICE FEES

	YEAR ENDED JUNE 30, 2001		
	Assets Under Management (in thousands)	Fees (in thousands)	Basis Points
INVESTMENT MANAGEMENT FEES			
Equity Investments:			
Domestic	$2,033,023	$ 9,500	47
International	342,292	1,933	56
Fixed Income Investments:			
Domestic	979,489	1,918	20
Global	150,449	514	34
Timberfunds:			
Domestic	51,189	377	74
International	76,159	330	43
Alternative Investments*:			
Vintage 1986–1990	5,391	292	97
Vintage 1991–1995	51,249	1,457	168
Vintage 1996–2000	200,226	5,380	214
Vintage 2001–2005	30,196	2,598	186
Commercial Real Estate	414,059	3,857	93
Temporary Investments	2,079	—	—
TOTAL INVESTMENT MANAGEMENT FEES	**$4,335,801**	**$28,156**	**65**
INVESTMENT SERVICE FEES			
Custodial Fees	$3,507,332	$634	2
Investment Advisor Fees	4,335,801	461	1
Security Lending Management Fees	433,757	687	16
Other Investment Related Fees	—	108	—
TOTAL INVESTMENT MANAGEMENT AND SERVICE FEES	**$4,335,801**	**$30,046**	**69**

* Basis point calculation is based on committed capital in accordance with investment management contracts.

SCHEDULE OF BROKERAGE COMMISSIONS PAID

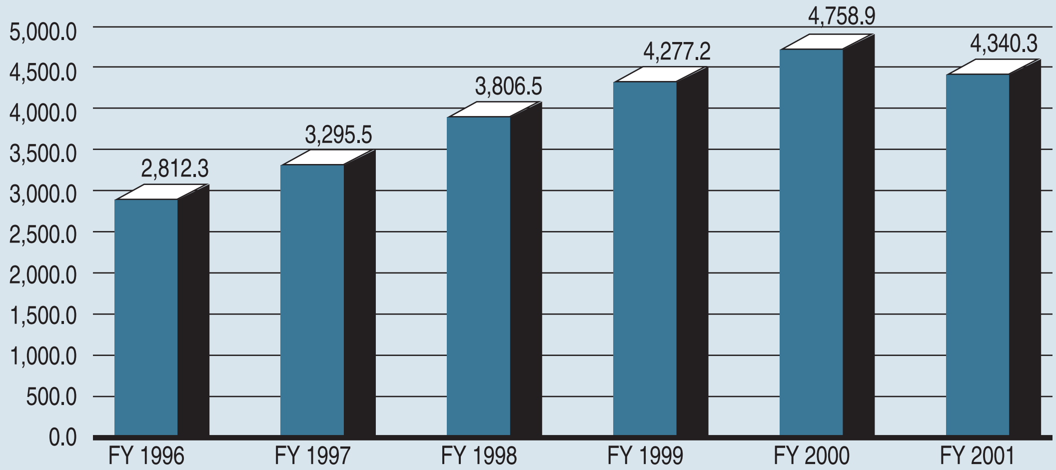
	YEAR ENDED JUNE 30, 2001		
Brokerage Firm	Number of Shares Traded (in thousands)	Total Commissions (in thousands)	Commissions Per Share
Fred M. Alger Asset Management Company	13,327	$ 459	$0.03
Abel Noser Corporation*	14,159	341	0.02
Goldman Sachs and Company	6,320	319	0.05
Broadcort Capital Corporation	6,308	315	0.05
Morgan Stanley and Company	7,334	306	0.04
Lynch, Jones & Ryan, Inc.*	5,775	303	0.05
Merrill Lynch, Pierce, Fenner and Smith, Inc.	6,409	253	0.04
Union Bank of Switzerland	3,949	186	0.05
Smith Barney, Inc.	3,539	185	0.05
Bear Stearns Security Corporation	5,329	177	0.03
Lehman Brothers Inc.	3,773	156	0.04
Bank of NY ESI Securities Company*	3,039	154	0.05
J.P. Morgan Securities	2,506	142	0.06
Fidelity Capital Markets	2,321	138	0.06
Cantor Fitzgerald and Company	2,352	118	0.05
Donaldson and Company, Inc.*	2,308	117	0.05
Bridge Trading Company	1,775	89	0.05
Credit Suisse First Boston Corporation	3,167	88	0.03
A.G. Edwards, Inc.	757	72	0.10
Bernstein, Sandford and Company	1,297	65	0.05
All Others (201 not listed separately)	45,428	1,191	0.03
TOTAL BROKERAGE COMMISSIONS PAID	**141,172**	**$5,174**	**$0.04**

* The System participates in a brokerage commission recapture program with these firms.

SUMMARY OF INVESTMENTS

TYPE OF INVESTMENT	June 30, 2001 Fair Value (in millions)	Percent of Total Fair Value
FIXED INCOME		
BONDS		
Government	$ 411.9	9.5 %
Corporate	526.3	12.1
Global	150.4	3.5
Convertible Corporate	3.7	0.1
TOTAL BONDS	1,092.3	25.2
Commercial Paper	30.0	0.7
Preferred Stock	7.6	0.2
TOTAL FIXED INCOME	**1,129.9**	**26.1**
EQUITY		
COMMON STOCKS		
Consumer Nondurables and Services	707.9	16.4
Technology	276.9	6.4
International Equity	342.2	7.9
Financial Services	456.9	10.5
Utilities	140.3	3.2
Energy	127.4	2.9
Capital Goods	152.2	3.5
Basic Industries	136.9	3.2
Consumer Durables	34.6	0.8
TOTAL EQUITY	**2,375.3**	**54.8**
OTHER INVESTMENTS		
Alternative Investments	287.1	6.6
Commercial Real Estate	414.1	9.6
Timberfunds	127.3	2.9
Temporary Investments	2.1	—
TOTAL INVESTMENTS	**$ 4,335.8**	**100.0 %**

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



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Actuarial Section

Actuarial Certification

BUCK CONSULTANTS
500 Plaza Drive
Secaucus, New Jersey 07096-1533

November 7, 2001

The Board of Trustees
New Hampshire Retirement System
4 Chenell Drive
Concord, New Hampshire 03301-8509

Ladies and Gentlemen:

Actuarial valuations of the NHRS are performed biennially to measure the ongoing costs of the System, the funded status of the System and the progress towards the funding goals over time. To determine funding requirements the valuation data is projected forward to the ensuing biennium.

In general, the financial goals of the NHRS, as stipulated by the Board of Trustees, are a pattern of contributions which is relatively stable over time as a percentage of pay and progresses towards a funded ratio (measured as the fair value of assets to the liability determined based on compensation and service as of the measurement date) of 130%. We believe that the contribution levels determined in the valuation satisfy these objectives.

The June 30, 1997 valuation determined the contributions of the System for the fiscal years ended June 30, 2000 and June 30, 2001. The contributions for the fiscal years ending June 30, 2002 and June 30, 2003 were determined based on the June 30, 1999 valuation of the System.

We have completed the June 30, 2001 actuarial valuation of the NHRS which will be used to determine the funding contributions for the System for the fiscal years ending June 30, 2004 and June 30, 2005.

The June 30, 2001 valuation reflects the following financially significant changes in the benefit structure:

- Employees, Teachers, Police Officers, and Firefighters retired prior to July 1, 2000 received a 3.5% COLA effective July 1, 2001.

- Employees, Teachers, Police Officers, and Firefighters retired prior to July 1, 1999 received a 4.5% COLA effective July 1, 2000.

As stipulated under the Statutes, the demographic and financial actuarial assumptions are selected by the Board of Trustees based on the recommendations of the actuary and the investment consultant. The developing experience is monitored biennially with each valuation, and a formal review is completed at least once in each five-year period. The contributions for fiscal year 2001, which have been determined in the June 30, 1997 valuation of the System, are based on the open group aggregate funding method, a 9% interest assumption and graded salary scales which average 6% annually. In addition, the Board has recommended that the minimum normal contribution rate not be less than the rates using target funding with a funding goal of 130% over a 20 year horizon and an 8% interest rate. As a result, the contribution levels are sufficient to attain the Board of Trustee's funding goal of 130% over 20 years with a 50% probability.

The Board of Trustees
November 7, 2001
Page 2

The disclosure information as of June 30, 2001 is based on the demographic data used in the June 30, 2001 valuation and on the interest assumption of 9% which was used in the June 30, 1997 valuation for funding and disclosure purposes.

The initial asset value for valuation purposes is determined using a five-year moving average asset valuation method. The initial value is then compared with book value and fair value of assets and the middle value is used to compute the rates. The underlying demographic data is maintained and provided by the NHRS office. The data is analyzed by Buck for internal completeness and consistency and compared with the prior valuation data to again ensure consistency.

Buck prepared the normal contribution rates and actual contribution rates as a percent of current payroll tables, the analysis of changes in actuarial assumptions, pension benefit provisions and the membership composition table shown in the financial section. Buck prepared all the schedules shown in the actuarial section.

In our opinion, the attached schedules of valuation results prepared by the actuary fairly represent the status of the NHRS and present an accurate view of historical data. The underlying assumptions and methods used for funding purposes are consistent with the statutory specifications, meet the parameters of the disclosures presented in the GASB Statement No. 25, and represent a best estimate of the aggregate future experience of the System.

Respectfully submitted,

Buck Consultants, Inc.

Lisa A. Witlen

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PLAN FUNDING STATUS AND PROGRESS

The New Hampshire Retirement System (System) determines the annual required contribution using the open group aggregate funding method. This method does not identify or separately amortize unfunded actuarial liabilities.

However, the Board of Trustees and the actuary monitor the funding progress by reviewing the funded ratios of the System each June 30th. The funded ratio is determined by dividing the net assets held in trust for benefits by the liabilities of the System. The funded ratio information as of June 30, 2001 and June 30, 2000 is on the following pages.

The liabilities used in the funded ratio have been determined on two bases: the projected liability and the accrued liability. The projected liability is the present value of estimated pension benefits that will be paid in future years as a result of member services performed to date and is adjusted for the effects of projected salary increases. The accrued liability is based on services performed to date and the compensation earned to date.

The information presented as of June 30, 2001 is based on the June 30, 2001 actuarial valuation of the System. The information presented as of June 30, 2000 is based on the June 30, 1999 actuarial valuation of the System projected to June 30, 2000.

The funded ratio information is for disclosure purposes and is independent of the actuarial computation made to determine contributions to the System. The actuarial funding method used to determine contributions to the System is explained in Note 6 in the Financial Section.

Several significant actuarial assumptions are used to determine the standardized measure of projected liability and these assumptions are summarized below:

- The present value of future pension payments was computed by using a discount rate of 9.0% for 2001 and 2000. The discount rate is equal to the estimated long-term rate of return on current and future investments of the System.
- Future pension payments at June 30, 2001 and 2000 reflect an average annual salary increase among the four classifications of 6.0%. (Each classification uses its own salary increase assumption.) This includes a 3.5% inflation and 2.5% merit/promotion component for both fiscal years.
- Future pension payments reflect no postretirement benefit increases, which is consistent with the terms of the pension statute.
- The liabilities as of June 30, 2001 and June 30, 2000 reflect the revised demographic assumptions that were adopted by the Board of Trustees as of June 30, 2001 and June 30, 1999, and they also reflect the Board's decision to recognize the impact of severance pay on average final compensation.

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Plan Funding—Pension and Postretirement Medical Plans

PLAN PENSION FUNDING

PROJECTED LIABILITY BY MEMBER GROUP EXCLUDING POSTRETIREMENT MEDICAL INSURANCE SUBSIDY AT JUNE 30, 2001 AND JUNE 30, 2000

(in thousands)

	ALL GROUPS 2001	ALL GROUPS 2000	EMPLOYEES 2001
A. Projected Liability			
1. Retirees & Beneficiaries Currently Receiving Benefits & Terminated Employees Not Yet Entitled	$1,696,253	$1,554,564	$ 571,339
2. Current Employees			
a. Accumulated Employee Contributions With Interest	1,481,974	1,309,395	505,941
b. Employer Financed Vested	233,122	226,948	48,633
c. Employer Financed Nonvested	431,253	369,352	134,661
3. Total Pension Benefit Obligation	**$3,842,602**	**$3,460,259**	**$1,260,574**
% of Total Pension Benefit Obligation	**100.00%**	**100.00%**	**32.81%**
FUNDING STATUS AT FAIR VALUE OF ASSETS			
B. Net Assets			
Fair Value of Assets (excludes Administrative Assessment Account)	$4,334,742	$4,754,284	$1,299,967
Less: Undesignated Special Account	609,845**	731,648*	232,222**
Less: Account for Medical Insurance Subsidy	336,078	311,538	33,878
Net Fair Value of Assets Held in Trust for Benefits	**$3,388,819**	**$3,711,098**	**$1,033,867**
% of Net Fair Value of Assets Held in Trust for Benefits	**100.00%**	**100.00%**	**30.51%**
C. Unfunded (Assets in Excess of) Projected Liability	**$ 453,783**	**($250,839)**	**$ 226,707**
Percent Funded	**88.19%**	**107.25%**	**82.02%**
Payroll	$1,615,871	$1,459,706	$ 676,536
Unfunded (Excess)/Payroll	28.08%	(17.18%)	33.51%
FUNDING STATUS AT ACTUARIAL VALUE OF ASSETS			
D. Net Assets			
Actuarial Value	$3,874,746	$3,841,382	$1,229,761
Less: Special Account	609,845**	731,648*	232,222**
Net Assets Held in Trust for Benefits	**$3,264,901**	**$3,109,734**	**$ 997,539**
E. Unfunded (Assets in Excess of) Projected Liability	**$ 577,701**	**$ 350,525**	**$ 263,035**
Percent Funded	**84.97%**	**89.87%**	**79.13%**
Payroll	$1,615,871	$1,459,706	$ 676,536
Unfunded (Excess)/Payroll	35.75%	24.01%	38.88%

ACCRUED LIABILITY INFORMATION BY MEMBER GROUP AT JUNE 30, 2001 AND JUNE 30, 2000

(in thousands)

	ALL GROUPS 2001	ALL GROUPS 2000	EMPLOYEES 2001
Vested Benefits			
Participants Currently Receiving Benefits	$1,675,941	$1,536,578	$ 561,718
Other Participants	1,735,410	1,554,329	564,196
Total Vested Benefits	$3,411,351	$3,090,907	$1,125,914
Nonvested Benefits	34,105	30,247	9,523
Total Accrued Liabilities	**$3,445,456**	**$3,121,154**	**$1,135,437**
% of Total Accrued Liabilities	**100.00%**	**100.00%**	**32.96%**
Fair Value of Assets (excludes Administrative Assessment Account)	$4,334,742	$4,754,284	$1,299,967
Less: Undesignated Special Account	609,845**	731,648*	232,222**
Less: Account for Medical Insurance Subsidy	336,078	311,538	33,878
Net Fair Value of Assets Held in Trust for Benefits	**$3,388,819**	**$3,711,098**	**$1,033,867**
% of Net Fair Value of Assets Held in Trust for Benefits	**100.00%**	**100.00%**	**30.51%**
Funding Ratio for Pension Liability	**98.36%**	**118.90%**	**91.05%**
Actuarial Present Value of Postretirement Medical Liabilities			
Active	$ 157,706	$ 125,173	$ 7,128
Retire	272,067	147,914	37,144
Total Actuarial Present Value of Postretirement Medical Liabilities	$ 429,773	$ 273,087	$ 44,272
Total Actuarial Present Value of Accrued Benefits	$3,875,229	$3,394,241	$1,179,709
Fair Value of Assets Held in Trust for Benefits	$3,724,897	$4,022,636	$1,067,745
Overall Funded Ratio	**96.12%**	**118.51%**	**90.51%**

NOTE: Liabilities for 2001 and 2000 based on 9% interest.

*Reflects legislation effective on or before June 30, 2000.

**Reflects legislation effective on or before June 30, 2001.

EMPLOYEES 2000	TEACHERS 2001	TEACHERS 2000	POLICE OFFICERS 2001	POLICE OFFICERS 2000	FIREFIGHTERS 2001	FIREFIGHTERS 2000
$524,851	$ 588,286	$ 556,452	$352,562	$316,775	$184,066	$156,486
436,460	656,208	579,900	210,063	190,592	109,762	102,443
63,488	123,988	111,281	36,059	32,250	24,442	19,929
94,174	130,854	161,766	106,614	73,668	59,124	39,744
$1,118,973	**$1,499,336**	**$1,409,399**	**$705,298**	**$613,285**	**$377,394**	**$318,602**
32.34%	**39.02%**	**40.73%**	**18.35%**	**17.72%**	**9.82%**	**9.21%**
$1,426,539	$1,716,572	$1,875,012	$872,427	$959,786	$445,775	$492,947
281,319*	202,356**	234,676*	98,687**	125,547*	76,580**	90,106*
—	95,320	91,724	129,973	136,784	76,907	83,030
$1,145,220	**$1,418,896**	**$1,548,612**	**$643,767**	**$697,455**	**$292,288**	**$319,811**
30.86%	**41.87%**	**41.73%**	**19.00%**	**18.79%**	**8.62%**	**8.62%**
($26.247)	**$ 80,440**	**($139,213)**	**$ 61,531**	**($84,170)**	**$ 85,106**	**($1,209)**
102.35%	**94.64%**	**109.88%**	**91.28%**	**113.72%**	**77.45%**	**100.38%**
$ 617,596	$ 700,361	$ 637,771	$171,489	$143,815	$ 67,485	$ 60,524
(4.25%)	11.49%	(21.83)	35.88%	(58.53%)	126.11%	(2.00%)
$1,236,376	$1,558,113	$1,528,583	$715,057	$707,390	$371,815	$369,033
281,319*	202,356**	234,676*	98,687**	125,547*	76,580**	90,106*
$ 955,057	**$1,355,757**	**$1,293,907**	**$616,370**	**$581,843**	**$295,235**	**$278,927**
$ 163,916	**$ 143,579**	**$115,492**	**$ 88,928**	**$ 31,442**	**$ 82,159**	**$ 39,675**
85.35%	**90.42%**	**91.81%**	**87.39%**	**94.87%**	**78.23%**	**87.55%**
$ 617,596	$ 700,361	$ 637,771	$171,489	$143,815	$ 67,485	$ 60,524
26.54%	20.50%	18.11%	51.86%	21.86%	121.74%	65.55%
$ 515,947	$ 578,020	$ 547,844	$352,193	$316,404	$184,010	$156,383
508,853	790,462	699,789	246,491	223,212	134,261	122,475
$1,024,800	$1,368,482	$1,247,633	$598,684	$539,616	$318,271	$278,858
3,972	3,583	1,354	14,629	16,638	6,370	8,283
$1,028,772	**$1,372,065**	**$1,248,987**	**$613,313**	**$556,254**	**$324,641**	**$287,141**
32.96%	**39.82%**	**40.02%**	**17.80%**	**17.82%**	**9.42%**	**9.20%**
$1,426,539	$1,716,572	$1,875,012	$872,427	$959,786	$445,775	$492,947
281,319*	202,356**	234,676*	98,687**	125,547*	76,580**	90,106*
—	95,320	91,724	129,973	136,784	76,907	83,030
$1,145,220	**$1,418,896**	**$1,548,612**	**$643,767**	**$697,455**	**$292,288**	**$319,811**
30.86%	**41.87%**	**41.73%**	**104.97%**	**18.79%**	**90.03%**	**8.62%**
111.32%	**103.41%**	**123.99%**	**19.00%**	**125.38%**	**8.62%**	**111.38%**
$ —	$ 30,406	$ 22,305	$ 78,171	$ 67,015	$ 42,001	$ 35,853
—	127,929	68,520	68,970	53,018	38,024	26,376
$ —	$ 158,335	$ 90,825	$147,141	$120,033	$ 80,025	$ 62,229
$1,028,772	$1,530,400	$1,339,812	$760,454	$676,287	$404,666	$349,370
$1,145,220	$1,514,217	$1,640,336	$773,740	$834,239	$369,195	$402,841
111.32%	**98.94%**	**122.43%**	**101.75%**	**123.36%**	**91.23%**	**115.30%**

ACCRUED LIABILITY FOR POSTRETIREMENT MEDICAL INSURANCE SUBSIDY—9% INTEREST, 8% MEDICAL TREND

(in thousands)

	Total 2001	Total 2000	Employees 2001	Employees 2000	Teachers 2001	Teachers 2000	Police Officers 2001	Police Officers 2000	Firefighters 2001	Firefighters 2000
Accrued Liability										
Actives	$157,706	$125,173	$ 7,128	—	$ 30,406	$22,305	$ 78,171	$ 67,015	$42,001	$35,853
Retireds	272,067	147,914	37,144	—	127,929	68,520	68,970	53,018	38,024	26,376
Total Accrued Liability	**$429,773**	**$273,087**	**$44,272**	**—**	**$158,335**	**$90,825**	**$147,141**	**$120,033**	**$80,025**	**$62,229**
Fair Value of Assets										
401(h) Subtrust	$ 72,083	$ 72,460	$ 1,951	—	$ 5,708	$ 1,762	$ 38,705	$42,270	$25,719	$28,428
Medical Special Account	263,995	239,078	31,927	—	89,612	89,962	91,269	94,514	51,187	54,602
Fair Value of Assets Held in Trust for Benefits for Postretirement Medical Premiums	$336,078	$311,538	$33,878	—	$95,320	$91,724	$129,974	$136,784	$76,906	$83,030
Funded Ratio	**78.20%**	**114.08%**	**76.52%**	**—**	**60.20%**	**100.99%**	**88.33%**	**113.96%**	**96.10%**	**133.43%**

FUNDING PROGRESS BASED ON NHRS BOARD OF TRUSTEES OBJECTIVES

TOTAL OF ALL GROUPS

(dollars in thousands)

Valuation Date	6/30/01	6/30/99	6/30/97	6/30/95	6/30/93	6/30/91
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	$1,675,941	$1,464,941	$ 1,172,285	$ 933,696	$ 684,862	$ 592,702
Other Participants	$1,735,410	$1,421,842	$ 1,201,724	$ 942,436	$ 745,789	$ 644,450
Total Vested	$3,411,351	$2,886,783	$ 2,374,009	$1,876,132	$1,430,651	$1,237,152
Nonvested Benefits	$ 34,105	$ 29,276	$ 29,054	$ 42,869	$ 26,627	$ 23,521
Total Accrued Liabilities†	**$3,445,456**	**$2,916,059**	**$ 2,403,063**	**$1,919,001**	**$1,457,278**	**$1,260,673**
Fair Value of Assets for Pension Liabilities*	$3,388,819	$3,552,061	$2,941,505	$2,303,656	$1,886,365	$1,460,196#
Funded Ratio for Pension Liabilities	98.36%	121.81%	122.4%	120.0%	129.4%	115.8%
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	$ 157,706	$ 115,110	$ 66,565	$ 51,155	$ 41,808	$ 46,444
Retired	$ 272,067	$ 146,510	$ 56,781	$ 45,597	$ 34,794	$ 34,475
Total	$ 429,773	$ 261,620	$ 123,346	$ 96,752	$ 76,602	$ 80,919
Total Actuarial Present Value of Accrued Benefits†	**$3,875,229**	**$3,177,679**	**$ 2,526,409**	**$2,015,753**	**$1,533,880**	**$1,341,592**
Fair Value of Assets Held in Trust for Benefits*	**$3,724,897**	**$3,842,282**	**$ 3,060,837**	**$2,397,098**	**$1,967,511**	**$1,528,261#**
Overall Funded Ratio	**96.12%**	**120.91%**	**121.2%**	**118.9%**	**128.3%**	**113.9%**

* Excludes the Special Account but includes the Special Reserve.

\# Reflects the asset transfer as of July 1, 1991 to the non-governmental members.

† 6/30/93 and later liabilities based on a 9% interest assumption. All prior years based on an 8% interest assumption.

NOTE: Accrued Liability is defined as the actuarial present value of benefits based on service and salary as of the valuation date.

FUNDING PROGRESS BASED ON NHRS BOARD OF TRUSTEES OBJECTIVES

EMPLOYEES

(dollars in thousands)

Valuation Date	6/30/01	6/30/99	6/30/97	6/30/95	6/30/93	6/30/91
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	$ 561,718	$ 501,219	$ 418,829	$ 348,292	$ 271,847	$ 243,772
Other Participants	$ 564,196	$ 467,386	$ 391,813	$ 312,642	$ 243,102	$ 210,441
Total Vested	$1,125,914	$ 968,605	$ 810,642	$ 660,934	$ 514,949	$ 454,213
Nonvested Benefits	$ 9,523	$ 4,623	$ 5,617	$ 7,363	$ 13,222	$ 769
Total Accrued Liabilities†	**$1,135,437**	**$ 973,228**	**$ 816,259**	**$ 668,297**	**$ 528,171**	**$ 454,982**
Fair Value of Assets for Pension Liabilities*	**$1,033,867**	**$1,100,451**	**$ 914,804**	**$ 731,764**	**$ 606,785**	**$474,995#**
Funded Ratio for Pension Liabilities	**91.0%**	**113.1%**	**112.1%**	**109.5%**	**114.9%**	**104.4%**
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	$ 7,128	—	—	—	—	—
Retired	$ 37,144	—	—	—	—	—
Total	$ 44,272	—	—	—	—	—
Total Actuarial Present Value of Accrued Benefits†	**$1,179,709**	**$ 973,228**	**$ 816,259**	**$ 668,297**	**$ 528,171**	**$ 454,982**
Fair Value of Assets Held in Trust for Benefits *	**$1,067,745**	**$1,100,451**	**$ 914,804**	**$ 731,764**	**$ 606,785**	**$474,995#**
Overall Funded Ratio	**90.5%**	**113.1%**	**112.1%**	**109.5%**	**114.9%**	**104.4%**

TEACHERS

(dollars in thousands)

Valuation Date	6/30/01	6/30/99	6/30/97	6/30/95	6/30/93	6/30/91
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	$ 578,020	$ 528,764	$ 417,390	$ 316,379	$ 211,850	$ 161,889
Other Participants	$ 790,462	$ 632,295	$ 530,948	$ 407,642	$ 321,365	$ 265,253
Total Vested	$1,368,482	$1,161,059	$ 948,338	$ 724,021	$ 533,215	$ 427,142
Nonvested Benefits	$ 3,583	$ 1,202	$ 2,156	$ 11,976	$ 5,069	$ 1,895
Total Accrued Liabilities†	**$1,372,065**	**$1,162,261**	**$ 950,494**	**$ 735,997**	**$ 538,284**	**$ 429,037**
Fair Value of Assets for Pension Liabilities*	**$1,418,897**	**$1,468,773**	**$1,196,062**	**$ 910,976**	**$ 738,395**	**$563,856#**
Funded Ratio for Pension Liabilities	**103.4%**	**126.4%**	**125.8%**	**123.8%**	**137.2%**	**131.4%**
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	$ 30,406	$ 20,567	—	—	—	—
Retired	$ 127,929	$ 68,553	—	—	—	—
Total	$ 158,335	$ 89,120	—	—	—	—
Total Actuarial Present Value of Accrued Benefits†	**$1,530,400**	**$1,251,381**	**$ 950,494**	**$ 735,997**	**$ 538,284**	**$ 429,037**
Fair Value of Assets Held in Trust for Benefits*	**$1,514,217**	**$1,557,873**	**$1,196,062**	**$ 910,976**	**$ 738,395**	**$563,856#**
Overall Funded Ratio	**98.9%**	**124.5%**	**125.8%**	**123.8%**	**137.2%**	**131.4%**

* Excludes the Special Account but includes the Special Reserve.

\# Reflects the asset transfer as of July 1, 1991 to the non-governmental members.

† 6/30/93 and later liabilities based on a 9% interest assumption. All prior years based on an 8% interest assumption.

NOTE: Accumulated benefit obligation is defined as the actuarial present value of benefits based on service and salary as of the valuation date.

FUNDING PROGRESS BASED ON NHRS BOARD OF TRUSTEES OBJECTIVES

POLICE OFFICERS

(dollars in thousands)

Valuation Date	6/30/01	6/30/99	6/30/97	6/30/95	6/30/93	6/30/91
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	$ 352,193	$ 291,465	$ 223,626	$ 179,281	$ 125,635	$ 114,126
Other Participants	$ 246,491	$ 208,066	$ 182,046	$ 139,379	$ 115,721	$ 107,864
Total Vested	$ 598,684	$ 499,531	$ 405,672	$ 318,660	$ 241,356	$ 221,990
Nonvested Benefits	$ 14,629	$ 15,542	$ 14,042	$ 14,074	$ 5,559	$ 12,892
Total Accrued Liabilities†	**$ 613,313**	**$ 515,073**	**$ 419,714**	**$ 332,734**	**$ 246,915**	**$ 234,882**
Fair Value of Assets for Pension Liabilities*	**$ 643,767**	**$ 671,770**	**$ 564,654**	**$ 443,080**	**$ 363,770**	**$ 282,286**
Funded Ratio for Pension Liabilities	**105.0%**	**130.4%**	**134.5%**	**133.2%**	**147.3%**	**120.2%**
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	$ 78,171	$ 61,590	$ 42,075	$ 29,302	$ 24,461	$ 28,820
Retired	$ 68,970	$ 51,930	$ 37,015	$ 29,639	$ 21,493	$ 20,966
Total	$ 147,141	$ 113,520	$ 79,090	$ 58,941	$ 45,954	$ 49,786
Total Actuarial Present Value of Accrued Benefits†	**$ 760,454**	**$ 628,593**	**$ 498,804**	**$ 391,675**	**$ 292,869**	**$ 284,668**
Fair Value of Assets Held in Trust for Benefits *	**$ 773,740**	**$796,961**	**$ 633,105**	**$ 497,333**	**$ 410,530**	**$ 321,637**
Overall Funded Ratio	**101.8%**	**126.8%**	**126.9%**	**127.0%**	**140.2%**	**113.0%**

FIREFIGHTERS

(dollars in thousands)

Valuation Date	6/30/01	6/30/99	6/30/97	6/30/95	6/30/93	6/30/91
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	$ 184,010	$ 143,493	$ 112,440	$ 89,744	$ 75,530	$ 72,915
Other Participants	$ 134,261	$ 114,095	$ 96,917	$ 82,773	$ 65,601	$ 60,892
Total Vested	$ 318,271	$ 257,588	$ 209,357	$ 172,517	$ 141,131	$ 133,807
Nonvested Benefits	$ 6,370	$ 7,909	$ 7,239	$ 9,456	$ 2,777	$ 7,965
Total Accrued Liabilities†	**$ 324,641**	**$ 265,497**	**$216,596**	**$181,973**	**$ 143,908**	**$ 141,772**
Fair Value of Assets for Pension Liabilities*	**$ 292,288**	**$ 311,069**	**$ 265,984**	**$ 217,836**	**$ 177,415**	**$ 139,059**
Funded Ratio for Pension Liabilities	**90.0%**	**117.2%**	**122.8%**	**119.7%**	**123.3%**	**98.1%**
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	$ 42,001	$ 32,953	$ 24,490	$ 21,853	$ 17,347	$ 17,624
Retired	$ 38,024	$ 26,027	$ 19,766	$ 15,958	$ 13,301	$ 13,509
Total	$ 80,025	$ 58,980	$ 44,256	$ 37,811	$ 30,648	$ 31,133
Total Actuarial Present Value of Accrued Benefits†	**$ 404,666**	**$ 324,477**	**$260,852**	**$ 219,784**	**$ 174,556**	**$ 172,905**
Fair Value of Assets Held in Trust for Benefits*	**$ 369,195**	**$ 386,998**	**$ 316,865**	**$ 257,025**	**$ 211,801**	**$ 167,773**
Overall Funded Ratio	**91.2%**	**119.3%**	**121.5%**	**116.9%**	**121.3%**	**97.0%**

* Excludes the Special Account but includes the Special Reserve.

\# Reflects the asset transfer as of July 1, 1991 to the non-governmental members.

† 6/30/93 and later liabilities based on a 9% interest assumption. All prior years based on an 8% interest assumption.

NOTE: Accumulated benefit obligation is defined as the actuarial present value of benefits based on service and salary as of the valuation date.

Summary of Actuarial Assumptions And Methods

Assumptions and methods are adopted by the Board of Trustees in consultation with the actuary. An experience study was prepared as of June 30, 1997. The Board of Trustees adopted revised assumptions effective with the June 30, 1997 valuation which were used to determine contributions for the fiscal years ended June 30, 2000 and June 30, 2001.

The Board of Trustees adopted revised assumptions effective with the June 30, 2001 valuation which will be used to determine contributions for the fiscal years ending June 30, 2004 and June 30, 2005. The Board of Trustees adopted revised postretirement mortality assumptions for Firefighters effective with the June 30, 1999 valuation which will be used to determine contributions for the fiscal years ending June 30, 2002 and June 30, 2003. Note 5 in the financial section provides the financial impact of the changes in actuarial assumptions as of June 30, 2001.

GROUP I—EMPLOYEES

INTEREST RATE: 9% per annum, compounded annually.
9% per annum, compounded annually on employee contributions
(includes a 4% inflation component).

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

	Annual Rate of					
	Withdrawal and Vesting *		Death		Disability	
Age	Men	Women	Men	Women	Men	Women
25	8.00%	11.00%	.06%	.04%	.04%	.02%
30	7.00	9.00	.06	.04	.06	.05
35	6.00	7.00	.06	.04	.10	.10
40	4.00	6.00	.08	.08	.15	.10
45	4.00	5.00	.15	.11	.20	.15
50	5.00	5.00	.20	.15	.25	.20
55	5.00	4.00	.30	.19	.30	.20
59	5.00	4.00	.40	.22	.30	.24

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

	Annual Rate of			
Age	Early Retirement		Normal Retirement	
	Men	Women	Men	Women
55	3.50%	3.00%	—	—
58	6.20	4.00	—	—
61	—	—	10.40%	10.00%
64	—	—	17.60	16.00
67	—	—	20.00	20.00
70	—	—	100.00	100.00

SALARY INCREASES: Representative values of the assumed rates of future salary increases are as follows (includes a 4% inflation component):

Age	Annual Rate of Salary Increases
25	7.70%
30	6.60
35	6.35
40	6.10
45	5.90
50	5.70
55	5.50
60	5.30
64	5.14

DEATHS AFTER RETIREMENT: According to the 1995 Buck Mortality Table set forward 1 year for men and women.

	MORTALITY RATE			MORTALITY RATE	
AGE	MEN	WOMEN	AGE	MEN	WOMEN
45	.15%	.10%	75	4.18%	2.57%
50	.24	.16	80	6.93	4.20
55	.39	.23	85	10.80	7.01
60	.74	.36	90	15.08	11.25
65	1.41	.78	95	20.53	16.81
70	2.49	1.56	100	29.35	24.98

A special mortality table was used for the period after disability retirement.

VALUATION METHOD: Open group aggregate. Under this method, the excess of the actuarial present value of projected benefits over the sum of a) the actuarial value of assets, b) the present value of future employee contributions and c) the unfunded accrued liability is allocated over the future earnings of the members between the valuation date and the assumed retirement date. The actuarial present value of projected benefits, the present value of future employee contributions and the present value of future earnings are calculated for both current members and future members. The Board of Trustees recommends that the results cannot be less than the rates using target funding assuming a 130% funded level over a 20 year horizon. Gains and losses are spread over the average future careers of both current and future active members.

ASSET VALUATION METHOD: Five-year moving average of fair values based on unit values. Under this method an artificial unit value is established as a starting point, and based on that value, the starting number of units is determined. The increase in the number of units is determined by converting the net cash flow, excluding realized and unrealized gains and losses, into additional units based on the unit value at the beginning of the measurement period. At the end of the measurement period the number of units is divided into the fair value of the fund to determine the new unit value. The average unit value over the past five years is multiplied by the number of units available at the valuation date to determine the value of assets at the valuation date. The actual value of assets used in the valuation is the middle value among book, fair, and the five-year average value, however, it cannot be lower than the five-year average value.

PERCENTAGE MARRIED: 80% of active members are assumed to be married and eligible for spouse's benefit with the husband assumed to be three years older than the wife.

SEVERANCE PAY: The valuation recognizes 75% of the effect of severance pay.

EXPENSES: Normal rate is loaded by 0.30% for fiscal year 2001 and by 0.30% for fiscal year 2000.

PROJECTION ASSUMPTIONS: The following additional assumptions were used in projecting the workforce. All other assumptions for projection purposes were identical to the valuation assumptions outlined above.

WORKFORCE SIZE: Constant

NEW ENTRANT DISTRIBUTION: The new entrants are assumed to be 40% male and 60% female distributed by age as follows:

	Male		Female	
Age	Percent	1997 Compensation Level*	Percent	1997 Compensation Level*
20	5.0%	$ 16,000	5.0%	$ 15,000
25	15.0	18,000	15.0	16,000
30	15.0	21,000	15.0	18,000
35	15.0	22,000	15.0	19,000
40	15.0	23,000	20.0	19,000
45	15.0	24,000	15.0	19,000
50	10.0	24,000	10.0	19,000
55	10.0	25,000	5.0	19,000

* Increases at 5.0% per annum and based on 6/30/97 new member demographics.

INVESTMENTS: The total realized rate of return on adjusted assets was 9% per annum during the projection period.

GROUP I—TEACHERS

INTEREST RATE: 9% per annum, compounded annually.
9% per annum, compounded annually on employee contributions
(includes a 4% inflation component).

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

	Annual Rate of					
	Withdrawal and Vesting *		Death		Disability	
Age	Men	Women	Men	Women	Men	Women
25	5.00%	5.00%	.06%	.05%	.01%	.01%
30	5.00	5.00	.06	.05	.01	.01
35	4.00	5.00	.06	.05	.01	.01
40	3.00	3.00	.06	.05	.01	.01
45	3.00	2.00	.06	.05	.02	.02
50	4.00	4.00	.12	.10	.05	.05
55	5.00	4.00	.18	.15	.20	.10
59	6.00	5.00	.18	.20	.30	.25

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

	Annual Rate of	
Age	Early Retirement	Normal Retirement
55	3.00%	—
58	7.80	—
61	—	14.30%
64	—	24.20
67	—	33.25
70	—	100.00

SALARY INCREASES: Representative values of the assumed rates of future salary increases are as follows (includes a 4% inflation component):

Age	Annual Rate of Salary Increases
25	8.50%
30	6.50
35	5.75
40	5.50
45	5.25
50	5.00
55	5.00
60	4.00
64	4.00

DEATHS AFTER RETIREMENT: According to the 1995 Buck Mortality Table set back 2 years for women and set back 1 year for men.

	MORTALITY RATE			MORTALITY RATE	
AGE	MEN	WOMEN	AGE	MEN	WOMEN
45	.13%	.07%	75	3.40%	1.92%
50	.20	.12	80	5.68	3.11
55	.31	.18	85	9.16	5.15
60	.56	.26	90	13.32	8.57
65	1.09	.48	95	18.10	13.27
70	2.00	1.06	100	25.20	19.64

A special mortality table was used for the period after disability retirement.

VALUATION METHOD: Open group aggregate. Under this method, the excess of the actuarial present value of projected benefits over the sum of a) the actuarial value of assets, b) the present value of future employee contributions and c) the unfunded accrued liability is allocated over the future earnings of the members between the valuation date and the assumed retirement date. The actuarial present value of projected benefits, the present value of future employee contributions and the present value of future earnings are calculated for both current members and future members. The Board of Trustees recommends that the results cannot be less than the rates using target funding assuming a 130% funded level over a 20 year horizon. Gains and losses are spread over the average future careers of both current and future active members.

ASSET VALUATION METHOD: Five-year moving average of fair values based on unit values. Under this method an artificial unit value is established as a starting point, and based on that value, the starting number of units is determined. The increase in the number of units is determined by converting the net cash flow, excluding realized and unrealized gains and losses, into additional units based on the unit value at the beginning of the measurement period. At the end of the measurement period the number of units is divided into the fair value of the fund to determine the new unit value. The average unit value over the past five years is multiplied by the number of units available at the valuation date to determine the value of assets at the valuation date. The actual value of assets used in the valuation is the middle value among book, fair, and the five-year average value, however, it cannot be lower than the five-year average value.

PERCENTAGE MARRIED: 80% of active members are assumed to be married and eligible for spouse's benefit with the husband assumed to be three years older than the wife.

SEVERANCE PAY: The valuation recognizes 75% of the effect of severance pay.

EXPENSES: Employing subdivision's normal rate is loaded by 0.30% for fiscal year 2001 and by 0.30% for fiscal year 2000.

PROJECTION ASSUMPTIONS: The following additional assumptions were used in projecting the workforce. All other assumptions for projection purposes were identical to the valuation assumptions outlined above.

WORKFORCE SIZE: Constant

NEW ENTRANT DISTRIBUTION: The new entrants are assumed to be 25% male and 75% female distributed by age as follows:

	Male		Female	
Age	Percent	1997 Compensation Level*	Percent	1997 Compensation Level*
25	25.0%	$ 26,000	25.0%	$ 26,000
30	25.0	28,000	20.0	28,000
35	10.0	29,000	10.0	28,000
40	10.0	35,000	15.0	30,000
45	15.0	36,000	15.0	31,000
50	10.0	39,000	10.0	34,000
55	5.0	40,000	5.0	36,000

*Increases at 5.0% per annum and based on 6/30/97 new member demographics.

INVESTMENTS: The total realized rate of return on adjusted assets was 9% per annum during the projection period.

GROUP II — POLICE OFFICERS

INTEREST RATE: 9% per annum, compounded annually.
9% per annum, compounded annually on employee contributions
(includes a 4% inflation component).

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

	Annual Rate of					
		Death		Disability		
Age	Withdrawal and Vesting	Ordinary	Accidental	Ordinary	Accidental	Retirement
25	6.00%	.05%	.01%	.01%	.01%	—
30	5.00	.06	.01	.02	.01	—
35	4.00	.07	.01	.02	.23	—
40	3.00	.10	.01	.06	.35	—
45	3.00	.14	.01	.24	.46	20.00%
50	3.00	.16	.01	.20	.58	22.08
55	2.00	.24	.01	.36	.82	24.17
60	2.00	.30	.01	1.38	.90	26.25
64	—	.40	.01	2.19	1.15	27.92
67	—	—	—	—	—	29.17
70	—	—	—	—	—	100.00

SALARY INCREASES: Representative values of the assumed rates of future salary increases are as follows (includes a 4% inflation component):

Age	Annual Rate of Salary Increases
25	12.50%
30	8.00
35	6.75
40	5.50
45	5.00
50	4.00
55	4.00
60	4.00
64	4.00

DEATHS AFTER RETIREMENT: According to the 1995 Buck Mortality Table set forward 1 year for men and women.

	MORTALITY RATE			MORTALITY RATE	
AGE	MEN	WOMEN	AGE	MEN	WOMEN
45	.15%	.10%	75	4.18%	2.57%
50	.24	.16	80	6.93	4.20
55	.39	.23	85	10.80	7.01
60	.74	.36	90	15.08	11.25
65	1.41	.78	95	20.53	16.81
70	2.49	1.56	100	29.35	24.98

A special mortality table was used for the period after disability retirement.

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

VALUATION METHOD: Open group aggregate. Under this method, the excess of the actuarial present value of projected benefits over the sum of a) the actuarial value of assets, b) the present value of future employee contributions and c) the unfunded accrued liability is allocated over the future earnings of the members between the valuation date and the assumed retirement date. The actuarial present value of projected benefits, the present value of future employee contributions and the present value of future earnings are calculated for both current members and future members. The Board of Trustees recommends that the results cannot be less than the rates using target funding assuming a 130% funded level over a 20 year horizon. Gains and losses are spread over the average future careers of both current and future active members.

ASSET VALUATION METHOD: Five-year moving average of fair values based on unit values. Under this method an artificial unit value is established as a starting point, and based on that value, the starting number of units is determined. The increase in the number of units is determined by converting the net cash flow, excluding realized and unrealized gains and losses, into additional units based on the unit value at the beginning of the measurement period. At the end of the measurement period the number of units is divided into the fair value of the fund to determine the new unit value. The average unit value over the past five years is multiplied by the number of units available at the valuation date to determine the value of assets at the valuation date. The actual value of assets used in the valuation is the middle value among book, fair, and the five-year average value, however, it cannot be lower than the five-year average value.

PERCENTAGE MARRIED: 50% of active members are assumed to be married and eligible for spouse's benefit with the husband assumed to be three years older than the wife. 40% of active members are assumed to be married and elect spousal coverage for postretirement medical benefits.

SEVERANCE PAY: The valuation recognizes 75% of the effect of severance pay.

EXPENSES: Employing subdivision's normal rate is loaded by 0.30% for fiscal year 2001 and 0.30% for fiscal year 2000.

PROJECTION ASSUMPTIONS: The following additional assumptions were used in projecting the workforce. All other assumptions for projection purposes were identical to the valuation assumptions outlined above.

WORKFORCE SIZE: Constant

NEW ENTRANT DISTRIBUTION: The new entrants are assumed to be all males distributed by age as follows:

Age	Percent	1997 Compensation Level*
20	5.0%	$19,000
25	45.0	26,000
30	25.0	26,000
35	10.0	29,000
40	10.0	30,000
45	5.0	35,000

*Increases at 5.0% per annum and based on 6/30/97 new member demographics.

INVESTMENTS: The total realized rate of return on adjusted assets was 9% per annum during the projection period.

GROUP II — FIREFIGHTERS

INTEREST RATE: 9% per annum, compounded annually.
9% per annum, compounded annually on employee contributions
(includes a 4% inflation component).

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

	Annual Rate of					
		Death		Disability		
Age	Withdrawal and Vesting	Ordinary	Accidental	Ordinary	Accidental	Retirement
25	2.00%	.04%	.02%	.01%	.05%	—
30	1.00	.04	.02	.02	.10	—
35	1.00	.05	.02	.03	.20	—
40	1.00	.07	.02	.10	.20	—
45	1.00	.10	.02	.40	.30	14.30%
50	1.00	.11	.02	.30	1.00	13.75
55	1.00	.17	.02	.60	1.00	10.00
60	—	.21	.02	.60	1.00	20.00
64	—	.28	.02	.60	1.00	29.00
67	—	—	—	—	—	40.00
70	—	—	—	—	—	100.00

SALARY INCREASES: Representative values of the assumed rates of future salary increases are as follows (includes a 4% inflation component):

Age	Annual Rate of Salary Increases
25	7.62%
30	6.79
35	5.96
40	5.50
45	5.29
50	5.21
55	5.00
60	4.95
64	4.91

DEATHS AFTER RETIREMENT: According to the 1984 Buck Mortality Table.

	MORTALITY RATE			MORTALITY RATE	
AGE	MEN	WOMEN	AGE	MEN	WOMEN
45	.24%	.10%	75	4.97%	2.93%
50	.35	.16	80	7.76	4.72
55	.54	.29	85	11.64	7.26
60	.96	.54	90	16.16	10.71
65	1.77	.99	95	20.78	15.71
70	3.09	1.74	100	27.66	23.96

A special mortality table was used for the period after disability retirement.

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

VALUATION METHOD: Open group aggregate. Under this method, the excess of the actuarial present value of projected benefits over the sum of a) the actuarial value of assets, b) the present value of future employee contributions and c) the unfunded accrued liability is allocated over the future earnings of the members between the valuation date and the assumed retirement date. The actuarial present value of projected benefits, the present value of future employee contributions and the present value of future earnings are calculated for both current members and future members. The Board of Trustees recommends that the results cannot be less than the rates using target funding assuming a 130% funded level over a 20 year horizon. Gains and losses are spread over the average future careers of both current and future active members.

ASSET VALUATION METHOD: Five-year moving average of fair values based on unit values. Under this method an artificial unit value is established as a starting point, and based on that value, the starting number of units is determined. The increase in the number of units is determined by converting the net cash flow, excluding realized and unrealized gains and losses, into additional units based on the unit value at the beginning of the measurement period. At the end of the measurement period the number of units is divided into the fair value of the fund to determine the new unit value. The average unit value over the past five years is multiplied by the number of units available at the valuation date to determine the value of assets at the valuation date. The actual value of assets used in the valuation is the middle value among book, fair, and the five-year average value, however, it cannot be lower than the five-year average value.

PERCENTAGE MARRIED: 50% of active members are assumed to be married and eligible for spouse's benefit with the husband assumed to be three years older than the wife. 40% of active members are assumed to be married and elect spousal coverage for postretirement medical benefits.

SEVERANCE PAY: The valuation recognizes 75% of the effect of severance pay.

EXPENSES: Employing subdivision's normal rate is loaded by 0.30% for fiscal year 2001 and by 0.30% for fiscal year 2000.

PROJECTION ASSUMPTIONS: The following additional assumptions were used in projecting the workforce. All other assumptions for projection purposes were identical to the valuation assumptions outlined above.

WORKFORCE SIZE: Constant

NEW ENTRANT DISTRIBUTION: The new entrants are assumed to be all males distributed by age as follows:

Age	Percent	1997 Compensation Level*
20	5.0%	$29,000
25	35.0	29,000
30	35.0	29,000
35	10.0	31,000
40	10.0	31,000
45	5.0	32,000

*Increases at 5.0% per annum and based on 6/30/97 new member demographics.

INVESTMENTS: The total realized rate of return on adjusted assets was 9% per annum during the projection period.

HISTORICAL MEMBERSHIP DATA—ACTIVE AND RETIRED

The following 4 tables summarize the actuarial valuation data for the period from 1991 through 2001. Since biennial valuations are prepared, the data is available for odd years only.

EMPLOYEES

(aggregate compensation and aggregate benefit dollars in thousands)

ACTIVE MEMBERSHIP DATA

FISCAL YEAR	NUMBER OF ACTIVES***	AGGREGATE COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
2001	24,413	$ 676,536	$ 27,712	6.08%
1999	22,519	588,290	26,124	3.86
1997	21,307	535,936	25,153	(1.26)
1995	20,717	527,715	25,473	5.51
1993	19,730	476,326	24,142	5.47
1991	18,971	434,225	22,889	11.16

RETIRED MEMBERSHIP DATA

	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR			
FISCAL YEAR	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
2001	1,095	$10,078	617	$3,905	8,406	$72,025	17.11 %	$8,568
1999	1,183	10,077	571	3,195	7,928	61,501	20.00	7,757
1997	1,064	9,120	578	2,724	7,316	51,249	19.11	7,005
1995	1,195	N/A	393	N/A	6,830	43,027	26.95	6,300
1993	855	N/A	302	N/A	6,028	33,892	18.77	5,622
1991	928	N/A	394	N/A	5,475	28,535	25.38	5,212

TEACHERS

(aggregate compensation and aggregate benefit dollars in thousands)

ACTIVE MEMBERSHIP DATA

FISCAL YEAR	NUMBER OF ACTIVES***	AGGREGATE COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
2001	17,718	$ 700,361	$ 39,528	4.02%
1999	16,034	609,275	37,999	3.27
1997	15,062	554,208	36,795	3.09
1995	14,419	514,653	35,693	2.41
1993	13,889	484,070	34,853	6.50
1991	13,693	448,107	32,725	25.15

RETIRED MEMBERSHIP DATA

	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR			
FISCAL YEAR	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
2001	501	$ 8,375	272	$2,691	4,518	$69,036	12.62 %	$15,280
1999	685	11,458	292	2,504	4,289	61,301	25.29	14,293
1997	583	9,528	294	2,220	3,896	48,927	28.21	12,558
1995	627	N/A	204	N/A	3,607	38,161	45.93	10,580
1993	428	N/A	165	N/A	3,184	26,151	31.41	8,213
1991	334	N/A	228	N/A	2,921	19,900	20.73	6,813

* 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 aggregate benefit dollars in thousands)

ACTIVE MEMBERSHIP DATA

FISCAL YEAR	NUMBER OF ACTIVES***	AGGREGATE COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
2001	4,124	$ 171,489	$ 41,583	8.49%
1999	3,600	137,981	38,328	4.30
1997	3,393	124,669	36,743	3.97
1995	3,254	114,994	35,339	1.52
1993	2,980	103,734	34,810	7.15
1991	2,914	94,670	32,488	10.85

RETIRED MEMBERSHIP DATA

	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR			
FISCAL YEAR	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
2001	280	$6,085	63	$960	1,586	$38,290	25.58 %	$24,142
1999	238	5,790	39	604	1,369	30,490	30.00	22,272
1997	167	3,252	54	648	1,170	23,450	22.39	20,043
1995	194	N/A	32	N/A	1,057	19,160	41.07	18,127
1993	122	N/A	19	N/A	895	13,582	22.51	15,175
1991	141	N/A	36	N/A	792	11,086	34.23	13,998

FIREFIGHTERS

(aggregate compensation and aggregate benefit dollars in thousands)

ACTIVE MEMBERSHIP DATA

FISCAL YEAR	NUMBER OF ACTIVES***	AGGREGATE COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
2001	1,433	$ 67,485	$ 47,094	8.57%
1999	1,339	58,081	43,376	6.50
1997	1,289	52,500	40,729	4.68
1995	1,289	50,151	38,907	6.51
1993	1,287	47,013	36,529	9.54
1991	1,307	43,586	33,348	12.97

RETIRED MEMBERSHIP DATA

	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR			
FISCAL YEAR	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
2001	164	$3,861	39	$541	906	$20,422	29.36 %	$22,541
1999	108	2,684	41	514	781	15,787	25.03	20,214
1997	93	2,244	38	432	714	12,627	23.01	17,685
1995	63	N/A	28	N/A	659	10,265	19.35	15,576
1993	60	N/A	22	N/A	624	8,601	15.06	13,784
1991	72	N/A	26	N/A	586	7,475	19.58	12,756

* Includes beneficiaries in receipt but excludes deferred vested terminations.

** Includes additional COLA allowances. The benefit amounts shown are the monthly benefits as of the valuation date annualized and are not the actual benefits paid during the fiscal year.

*** Excludes temporary inactive members.

Solvency Test

TOTAL OF ALL GROUPS

(dollars in thousands)

Fiscal Year	(1) Aggregate Member Contributions	Projected Liabilities For (2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits (1)	(2)	(3)
2001	$1,481,974	$1,675,941	$ 684,687	$ 3,264,901	100.00%	100.00%	15.63%
2000	$1,309,395	$1,536,578	$ 614,286	$ 3,109,734	100.00%	100.00%	42.94%
1999	$1,229,239	$1,464,941	$ 535,011	$ 2,886,526	100.00%	100.00%	35.95%
1998	$1,129,695	$1,278,159	$ 516,804	$ 3,167,053	100.00%	100.00%	100.00%
1997	$1,027,616	$1,172,285	$ 477,131	$ 2,941,505	100.00%	100.00%	100.00%
1996	$ 929,829	$ 986,295	$ 502,774	$ 2,547,190	100.00%	100.00%	100.00%

EMPLOYEES

(dollars in thousands)

Fiscal Year	(1) Aggregate Member Contributions	Projected Liabilities For (2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits (1)	(2)	(3)
2001	$ 505,941	$ 561,718	$ 192,915	$ 997,539	100.00%	87.52%	0.00%
2000	$ 436,460	$ 515,947	$ 166,567	$ 955,057	100.00%	100.00%	1.59%
1999	$ 419,864	$ 501,219	$ 131,556	$ 888,554	100.00%	93.51%	0.00%
1998	$ 381,408	$ 453,196	$ 129,150	$ 982,255	100.00%	100.00%	100.00%
1997	$ 347,726	$ 418,829	$ 117,983	$ 914,804	100.00%	100.00%	100.00%
1996	$ 315,455	$ 355,207	$ 137,050	$ 794,959	100.00%	100.00%	90.69%

TEACHERS

(dollars in thousands)

Fiscal Year	(1) Aggregate Member Contributions	Projected Liabilities For (2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits (1)	(2)	(3)
2001	$ 656,208	$ 578,020	$ 265,108	$ 1,355,757	100.00%	100.00%	45.84%
2000	$ 579,900	$ 547,844	$ 281,655	$ 1,293,907	100.00%	100.00%	59.00%
1999	$ 537,114	$ 528,764	$ 245,278	$ 1,190,269	100.00%	100.00%	50.71%
1998	$ 495,845	$ 450,786	$ 244,476	$ 1,301,650	100.00%	100.00%	100.00%
1997	$ 446,967	$ 417,390	$ 223,086	$ 1,196,062	100.00%	100.00%	100.00%
1996	$ 405,916	$ 338,028	$ 234,448	$ 1,028,870	100.00%	100.00%	100.00%

* 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 and transfer to non-governmental employees for Fiscal Year 2000 and 2001 and based on Fair Value of Assets for Fiscal Years prior to 2000.

NOTE: Based on a 9% interest rate.

POLICE OFFICERS

(dollars in thousands)

Fiscal Year	(1) Aggregate Member Contributions	Projected Liabilities For (2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits (1)	(2)	(3)
2001	$ 210,063	$ 352,193	$ 143,042	$ 616,370	100.00%	100.00%	37.83%
2000	$ 190,592	$ 316,404	$ 106,288	$ 581,843	100.00%	100.00%	70.42%
1999	$ 175,847	$ 291,465	$ 102,361	$ 545,198	100.00%	100.00%	76.09%
1998	$ 163,055	$ 250,584	$ 93,394	$ 603,742	100.00%	100.00%	100.00%
1997	$ 150,905	$ 223,626	$ 88,849	$ 564,654	100.00%	100.00%	100.00%
1996	$ 134,743	$ 195,777	$ 77,509	$ 489,653	100.00%	100.00%	100.00%

FIREFIGHTERS

(dollars in thousands)

Fiscal Year	(1) Aggregate Member Contributions	Projected Liabilities For (2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits (1)	(2)	(3)
2001	$ 109,762	$ 184,010	$ 83,622	$ 295,235	100.00%	100.00%	1.75%
2000	$ 102,443	$ 156,383	$ 59,776	$ 278,927	100.00%	100.00%	33.63%
1999	$ 96,414	$ 143,493	$ 55,816	$ 262,505	100.00%	100.00%	40.49%
1998	$ 89,387	$ 123,593	$ 49,784	$ 279,406	100.00%	100.00%	100.00%
1997	$ 82,018	$ 112,440	$ 47,213	$ 265,985	100.00%	100.00%	100.00%
1996	$ 73,715	$ 97,283	$ 53,767	$ 233,708	100.00%	100.00%	100.00%

* 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 and transfer to non-governmental employees for Fiscal Year 2000 and 2001 and based on Fair Value of Assets for Fiscal Years prior to 2000.

NOTE: Based on a 9% interest rate.

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 2001	June 30 1999	June 30 1997	June 30 1995	June 30 1993
Projected Normal Rate*	4.14%	3.94%	3.86%	3.14%	2.65%
Decremental Experience	.13	.15	.19	.17	.11
Pensioner's Experience	.03	.01	.01	.02	.01
Excess Salary Increases	—	(.05)	(.13)	(.05)	(.06)
Assets Different than Expected	.20	—	(.03)	.06	(.15)
Current New Entrants	(.05)	(.04)	(.04)	(.05)	.01
Amendments	—	—	—	.01	—
Assumption Changes #	.72	.18	.12	.38	.47
Balancing Items	(.05)	(.05)	(.04)	.18	.10
ACTUAL NORMAL RATE	**5.12%**	**4.14%**	**3.94%**	**3.86%**	**3.14%**

TEACHERS

YEAR ENDED	June 30 2001	June 30 1999	June 30 1997	June 30 1995	June 30 1993
Projected Normal Rate *	3.97%	4.11%	4.05%	3.35%	2.79%
Decremental Experience	.04	.12	.12	.12	.12
Pensioner's Experience	.01	—	—	.01	.03
Excess Salary Increases	(.10)	(.15)	(.17)	(.30)	(.08)
Assets Different than Expected	.25	(.12)	(.03)	.02	(.19)
Current New Entrants	(.07)	(.07)	(.05)	(.05)	—
Amendments	—	—	—	—	—
Assumption Changes #	(.70)	.09	.16	.49	.91
Balancing Items	.04	(.01)	.03	.41	(.23)
ACTUAL NORMAL RATE	**3.44%**	**3.97%**	**4.11%**	**4.05%**	**3.35%**

* Based on forecast valuations.

\# Includes new entrant population assumption changes.

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 2001	June 30 1999	June 30 1997	June 30 1995	June 30 1993
Projected Normal Rate *	8.20%	7.13%	5.22%	3.81%	5.07%
Decremental Experience	.32	.34	.23	.33	.15
Pensioner's Experience	.04	.05	.04	.06	(.01)
Excess Salary Increases	.37	—	(.15)	(.24)	.01
Assets Different than Expected	.60	.05	(.10)	.18	(.71)
Current New Entrants	(.06)	(.01)	.04	.01	(.02)
Amendments	—	—	—	.07	(.01)
Assumption Changes #	1.24	.50	1.24	.87	(.98)
Demographics	—	—	.43	—	—
Balancing Items	(.24)	.14	.18	.13	.31
ACTUAL NORMAL RATE	**10.47%**	**8.20%**	**7.13%**	**5.22%**	**3.81%**

FIREFIGHTERS

YEAR ENDED	June 30 2001	June 30 1999	June 30 1997	June 30 1995	June 30 1993
Projected Normal Rate *	10.17%	8.30%	7.61%	6.47%	8.15%
Decremental Experience	.38	.21	.34	(.05)	(.14)
Pensioner's Experience	.12	.05	.09	.23	(.10)
Excess Salary Increases	.57	.05	(.08)	(.36)	.13
Assets Different than Expected	.67	.62	(.04)	.22	(.18)
Current New Entrants	(.06)	(.03)	.08	.01	.07
Amendments	—	—	—	.06	(.01)
Assumption Changes #	2.67	.91	(.50)	1.07	(1.41)
Demographics	—	—	.57	—	—
Balancing Items	(.11)	.06	.23	(.04)	(.04)
ACTUAL NORMAL RATE	**14.41%**	**10.17%**	**8.30%**	**7.61%**	**6.47%**

* Based on forecast valuations.

\# Includes new entrant population assumption changes.

Summary of Principal Plan Provisions As Interpreted For Valuation Purposes

1—GENERAL

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 compensation during highest 3 years.
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.
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.
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	(a) If eligible for service retirement and, (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 the member's annual compensation. (b) If 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	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

(a) Upon termination of service other than for retirement or death, and if vested deferred retirement benefit has not been elected, the member's accumulated contributions are returned to him.

(b) Upon accidental death or upon other death for which no surviving spouse's benefit is payable, the member's accumulated contributions will be paid to the member's beneficiary or estate.

(c) Upon death prior to age 60 of a member on deferred vested retirement, the member's accumulated contributions will be paid to the member's beneficiary or estate.

(d) Upon death of a retired member (or the survivor of a retired member, if an optional benefit was elected), the excess of his accumulated contributions at retirement over the benefits received by the retired member (and, in the case of election of an optional benefit, the benefits received by the survivor) will be paid to the beneficiary or estate of the member.

Special Provisions Applicable to Certain Members Transferred from the Employees' Retirement System of the State of New Hampshire

Certain employee members transferred to the New Hampshire Retirement System effective January 1, 1976 have elected to have their benefits calculated on the basis of the provisions of the Predecessor System.

GROUP II MEMBERS (POLICE OFFICERS AND FIREFIGHTERS)

Service Retirement

Eligibility	Age 45 and 20 years 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 $5,200. 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 eligible for service retirement and, (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 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	A state annuity payable first to spouse until death or remarriage, then to children under age 18 or if no spouse or children, to dependent parent, or member's beneficiaries or estate.

Death after Retirement	Retirement Prior to April 1, 1987
	Lump sum of $3,600 unless accidental disability retirement, then surviving spouse receives 50% of the retired member's disability benefits payable until death or remarriage.

	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	Payable when the member would be age 45 with 20 years of service, a benefit determined as for service retirement.

Return of Members' Contributions

(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	5.00% of compensation.
By Employer	
For Employee Members	100% of the normal contribution rate for their employees plus accrued liability contributions, if any.
For Teacher Members	65% of the normal contribution rate for their employees plus 65% of the accrued liability contributions, if any.
By the State	
For Employee Members	100% of the normal contribution rate for its employees plus accrued liability contributions, plus any delinquent accrued liability contributions.
For Teacher Members	35% of the normal contribution rate for the employees of the employing subdivisions plus 35% of the accrued liability contributions, if any, plus any delinquent accrued liability contributions. In the case of teacher members employed by the state, the state shall pay 100% of both the normal and accrued liability contributions, if any.

GROUP II MEMBERS (POLICE OFFICERS AND FIREFIGHTERS)

By Members	
Police Officers and Firefighters	9.30% of compensation.
Call Firefighters	$6 per year (not refundable).
By Employing Subdivisions	65% of the normal contribution rate for their employees plus 65% of the accrued liability contributions, if any.
By the State	35% of the normal contribution rate for the employees of the employing subdivision plus 35% accrued liability contributions, if any, plus any delinquent accrued liability contributions. 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.

CHANGES IN PLAN PROVISIONS

The June 30, 1997 valuation determined the contributions of the System for the fiscal years ended June 30, 2000 and June 30, 2001. The funded ratio information on pages 70, 71, and 72 is as of June 30, 2001 and June 30, 2000. The liabilities shown for the System reflect all legislation enacted as of the measurement date. For a summary of the legislation reflected see pages 36 and 37.

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Statistical Section

Schedules of Additions and Deductions

SCHEDULES OF ADDITIONS AND DEDUCTIONS—COMBINED PLANS

ADDITIONS BY SOURCE

(dollars in thousands)

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions % of Annual Covered Payroll	Net Investment Income (Loss)	Other	Total
2001	$93,999	$74,656	4.6	($357,130)	$23,986	($164,489)
2000	88,237	69,828	4.8	526,539	14,880	699,484
1999	81,566	61,342	4.4	506,486	7,736	657,130
1998	77,395	58,977	4.6	534,385	9,935	680,692
1997	73,669	46,151	3.6	511,049	5,776	636,645
1996	71,674	44,903	3.7	407,528	5,267	529,372
1995	69,035	40,034	3.3	393,100	2,934	505,103
1994	65,556	38,796	3.3	30,241	2,907	137,500

DEDUCTIONS BY TYPE

(dollars in thousands)

Fiscal Year	Benefits	Administrative Expenses	Refunds	Other	Total
2001	$213,186	$4,405	$16,979	$19,590	$254,160
2000	185,613	3,353	19,485	9,333	217,784
1999	161,583	3,367	17,411	4,002	186,363
1998	144,300	4,642	16,939	3,773	169,654
1997	130,525	3,581	15,603	3,748	153,457
1996	117,499	3,256	12,673	3,172	136,600
1995	105,531	3,037	10,961	615	120,144
1994	93,071	2,952	9,306	756	106,085

Schedule of Benefit Payments By Type

BENEFIT PAYMENTS BY TYPE—COMBINED PLANS*

(in thousands)

Fiscal Year	Type of Retirement	Employees	Teachers	Police Officers	Firefighters	Total
2001	Service & Early Retirements	$59,953	$64,891	$29,525	$15,389	$169,758
	Ordinary Disability Retirements	2,416	1,799	642	467	5,324
	Accidental Disability Retirements	4,058	245	5,562	2,254	12,119
	Ordinary Death in Active Service	75	80	32	60	247
	Accidental Death in Active Service	110	57	268	201	636
	Beneficiaries**	5,412	1,965	2,261	2,053	11,691
	Refunds	10,606	5,031	2,709	265	18,611
	Postretirement Medical Premium Subsidies	596	5,536	4,462	2,476	13,070
	Total	**$83,226**	**$79,604**	**$45,461**	**$23,165**	**$231,456**
1999	Service & Early Retirements	$52,458	$57,995	$23,644	$11,799	$145,896
	Ordinary Disability Retirements	1,704	1,475	510	424	4,113
	Accidental Disability Retirements	3,275	196	4,674	2,019	10,164
	Ordinary Death in Active Service	93	74	30	20	217
	Accidental Death in Active Service	90	80	258	191	619
	Beneficiaries**	3,881	1,480	1,373	1,335	8,069
	Refunds	10,629	5,304	2,586	552	19,071
	Postretirement Medical Premium Subsidies	—	—	3,340	1,809	5,149
	Total	**$72,130**	**$66,604**	**$36,415**	**$18,149**	**$193,298**
1997	Service & Early Retirements	$44,160	$46,350	$17,885	$ 9,062	$117,457
	Ordinary Disability Retirements	1,331	1,233	403	450	3,417
	Accidental Disability Retirements	2,555	143	3,870	1,765	8,333
	Ordinary Death in Active Service	106	69	28	35	238
	Accidental Death in Active Service	95	91	206	219	611
	Beneficiaries**	3,003	1,041	1,058	1,096	6,198
	Refunds	8,545	6,209	2,016	765	17,535
	Postretirement Medical Premium Subsidies	—	—	2,547	1,466	4,013
	Total	**$59,795**	**$55,136**	**$28,013**	**$14,858**	**$157,802**

* Includes COLA allowances.

** Beneficiaries of deceased members who retired on a service or disability retirement.

NOTE: Fiscal years 2001, 1999 and 1997 are the only data available at this time. Data for future years will be reported prospectively.

Schedule of Retired Members By Type of Benefit

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFITS AS OF JUNE 30, 2001

		Type of Retirement**						
Amount of Monthly Benefit	Number of Retirees	1	2	3	4	5	6	7
EMPLOYEES								
$1–250	1,849	1,520	5	2	5	—	231	86
251–500	2,166	1,816	58	2	2	—	170	118
501–750	1,767	1,305	158	62	3	1	179	59
751–1,000	1,034	797	30	122	2	2	55	26
1,001–1,250	641	498	14	78	—	2	37	12
1,251–1,500	434	352	6	34	1	2	26	13
1,501–1,750	257	224	5	13	—	—	14	1
1,751–2,000	179	155	1	5	—	1	15	2
Over 2,000	398	355	5	10	—	—	26	2
Totals	**8,725**	**7,022**	**282**	**328**	**13**	**8**	**753**	**319**
TEACHERS								
$1–250	294	168	1	—	—	—	24	101
251–500	572	457	3	—	1	—	25	86
501–750	726	581	46	—	1	—	39	59
751–1,000	591	506	38	2	—	—	17	28
1,001–1,250	546	483	23	3	2	1	15	19
1,251–1,500	452	422	10	3	—	—	10	7
1,501–1,750	472	446	7	3	2	1	11	2
1,751–2,000	400	376	10	2	—	1	9	2
Over 2,000	770	745	7	1	—	—	16	1
Totals	**4,823**	**4,184**	**145**	**14**	**6**	**3**	**166**	**305**
POLICE OFFICERS								
$1–250	52	45	—	—	—	1	3	3
251–500	81	28	—	—	—	2	39	12
501–750	85	53	3	1	—	—	21	7
751–1,000	142	68	22	13	—	4	33	2
1,001–1,250	120	81	9	12	—	2	16	—
1,251–1,500	121	90	6	14	—	1	10	—
1,501–1,750	139	87	4	38	—	—	10	—
1,751–2,000	144	101	2	30	—	—	10	1
Over 2,000	727	581	2	116	1	5	22	—
Totals	**1,611**	**1,134**	**48**	**224**	**1**	**15**	**164**	**25**
FIREFIGHTERS								
$1–250	8	2	—	1	—	1	3	1
251–500	41	6	—	—	—	4	29	2
501–750	29	11	—	—	—	—	17	1
751–1,000	97	32	5	5	—	4	51	—
1,001–1,250	96	49	7	14	—	3	23	—
1,251–1,500	94	61	5	16	—	2	10	—
1,501–1,750	101	62	7	16	1	1	14	—
1,751–2,000	93	64	1	20	—	1	7	—
Over 2,000	351	304	3	33	1	1	9	—
Totals	**910**	**591**	**28**	**105**	**2**	**17**	**163**	**4**

**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
966	253	236	86	307	—	—	—	1	—
1,207	239	211	106	403	—	—	—	—	—
857	236	210	82	381	1	—	—	—	—
528	104	86	57	259	—	—	—	—	—
269	72	84	37	179	—	—	—	—	—
185	34	63	31	121	—	—	—	—	—
97	13	46	15	86	—	—	—	—	—
55	16	26	7	75	—	—	—	—	—
95	26	75	32	170	—	—	—	—	—
4,259	**993**	**1,037**	**453**	**1,981**	**1**	**—**	**—**	**1**	**—**
203	46	16	5	23	1	—	—	—	—
339	132	30	13	58	—	—	—	—	—
361	206	42	21	96	—	—	—	—	—
318	128	34	20	91	—	—	—	—	—
281	77	49	25	114	—	—	—	—	—
205	65	46	11	125	—	—	—	—	—
228	38	42	15	148	1	—	—	—	—
195	38	31	13	123	—	—	—	—	—
354	67	82	35	232	—	—	—	—	—
2,484	**797**	**372**	**158**	**1,010**	**2**	**—**	**—**	**—**	**—**
25	—	5	8	14	—	—	—	—	—
43	23	3	3	9	—	—	—	—	—
55	13	6	2	9	—	—	—	—	—
88	19	7	5	23	—	—	—	—	—
58	17	5	10	30	—	—	—	—	—
57	12	8	13	31	—	—	—	—	—
67	15	5	18	34	—	—	—	—	—
74	14	3	16	37	—	—	—	—	—
285	62	20	129	231	—	—	—	—	—
752	**175**	**62**	**204**	**418**	**—**	**—**	**—**	**—**	**—**
8	1	1	—	—	—	—	—	—	—
17	24	4	2	3	1	—	—	1	—
29	16	11	4	11	1	—	—	—	—
43	26	12	8	11	—	—	—	—	—
55	17	7	12	8	5	—	—	—	—
48	14	7	8	15	3	—	—	—	—
36	9	10	8	6	1	—	—	—	—
26	5	2	9	15	1	—	—	—	—
66	13	3	22	39	16	—	—	—	—
328	**125**	**57**	**73**	**108**	**28**	**—**	**—**	**1**	**—**

#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%

Schedules of Average Benefit Payment Amounts

SCHEDULES OF AVERAGE BENEFIT PAYMENT AMOUNTS

EMPLOYEES

2001

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	560*	1,191	2,218	1,482
Annual Benefits	$1,610,278	$3,963,804	$11,520,730	$11,135,995
Avg. Monthly Benefit	$240	$277	$433	$626

* Includes 19 members who did not have service reported.

1999

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	621*	1,198	2,064	1,379
Annual Benefits	$1,579,858	$3,713,011	$9,799,710	$9,758,421
Avg. Monthly Benefit	$212	$258	$396	$590

* Includes 16 members who did not have service reported.

1997

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	508*	1,131	1,775	1,305
Annual Benefits	$1,124,799	$2,901,573	$7,403,767	$8,092,767
Avg. Monthly Benefit	$185	$214	$348	$517

* Includes 17 members who did not have service reported.

1995

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	477*	1,082	1,619	1,215
Annual Benefits	$909,794	$2,403,358	$5,994,383	$6,793,032
Avg. Monthly Benefit	$159	$185	$309	$466

* Includes 11 members who did not have service reported.

TEACHERS

2001

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	54*	132	630	674
Annual Benefits	$222,368	$526,185	$3,851,336	$6,106,854
Avg. Monthly Benefit	$343	$332	$509	$755

* Includes 14 members who did not have service reported.

1999

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	58*	138	624	661
Annual Benefits	$224,987	$513,560	$3,537,762	$5,617,830
Avg. Monthly Benefit	$323	$310	$472	$708

* Includes 12 members who did not have service reported.

1997

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	57*	140	548	630
Annual Benefits	$180,631	$426,864	$2,676,466	$4,658,727
Avg. Monthly Benefit	$264	$254	$407	$616

* Includes 11 members who did not have service reported.

1995

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	51*	147	520	629
Annual Benefits	$144,208	$380,494	$2,136,263	$3,990,777
Avg. Monthly Benefit	$236	$216	$342	$529

* Includes 6 members who did not have service reported.

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	2001 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
1,135	655	620	382	129	34	8,406
$12,014,838	$8,945,159	$11,142,144	$8,303,707	$2,697,708	$690,484	$72,024,848
$882	$1,138	$1,498	$1,811	$1,743	$1,692	$714

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1999 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
988	590	570	361	125	32	7,928
$9,522,768	$7,472,894	$9,601,520	$7,208,456	$2,256,792	$587,964	$61,501,394
$803	$1,055	$1,404	$1,664	$1,505	$1,531	$646

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1997 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
941	573	555	356	139	33	7,316
$7,960,802	$6,233,554	$8,443,032	$6,395,147	$2,169,857	$524,130	$51,249,428
$705	$907	$1,268	$1,497	$1,301	$1,324	$584

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1995 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
852	549	518	338	145	35	6,830
$6,545,332	$5,439,064	$7,002,962	$5,500,902	$1,995,547	$442,440	$43,026,814
$640	$826	$1,127	$1,356	$1,147	$1,053	$525

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	2001 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
893	784	825	424	89	1	4,518
$11,992,815	$14,030,089	$18,567,637	$11,162,971	$2,224,227	$39,122	$69,035,751
$1,119	$1,491	$1,876	$2,194	$2,083	$3,260	$1,273

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1999 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
852	724	738	383	92	19	4,289
$10,874,303	$12,457,317	$16,052,553	$9,604,336	$2,027,011	$390,970	$61,300,629
$1,064	$1,434	$1,813	$2,090	$1,836	$1,715	$1,191

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1997 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
781	622	617	362	115	24	3,896
$8,953,020	$9,502,002	$12,155,987	$7,753,880	$2,176,905	$442,844	$48,927,326
$955	$1,273	$1,642	$1,785	$1,577	$1,538	$1,047

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1995 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
718	523	522	334	129	34	3,607
$7,147,595	$6,895,001	$9,067,061	$5,926,742	$1,944,763	$527,757	$38,160,661
$830	$1,099	$1,447	$1,479	$1,256	$1,294	$882

SCHEDULES OF AVERAGE BENEFIT PAYMENT AMOUNTS

POLICE OFFICERS

2001

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	113*	102	188	155
Annual Benefits	$996,163	$1,513,767	$3,056,531	$3,062,168
Avg. Monthly Benefit	$735	$1,237	$1,355	$1,646

* Includes 28 members who did not have service reported.

1999

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	104*	91	172	138
Annual Benefits	$998,628	$1,299,420	$2,524,099	$2,624,209
Avg. Monthly Benefit	$800	$1,190	$1,223	$1,585

* Includes 24 members who did not have service reported.

1997

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	70*	86	144	129
Annual Benefits	$631,730	$1,163,340	$1,958,132	$2,166,636
Avg. Monthly Benefit	$752	$1,127	$1,133	$1,400

* Includes 6 members who did not have service reported.

1995

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	56*	79	129	115
Annual Benefits	$507,977	$1,030,681	$1,604,526	$1,766,595
Avg. Monthly Benefit	$756	$1,087	$1,037	$1,280

* Includes 1 member who did not have service reported.

FIREFIGHTERS

2001

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	25*	20	59	101
Annual Benefits	$221,619	$276,648	$891,670	$1,830,685
Avg. Monthly Benefit	$739	$1,153	$1,259	$1,510

* Includes 14 members who did not have service reported.

1999

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	19*	27	54	93
Annual Benefits	$151,462	$351,971	$751,848	$1,606,161
Avg. Monthly Benefit	$664	$1,086	$1,160	$1,439

* Includes 8 members who did not have service reported.

1997

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	19*	22	52	87
Annual Benefits	$111,377	$258,415	$678,311	$1,353,033
Avg. Monthly Benefit	$488	$979	$1,087	$1,296

* Includes 7 members who did not have service reported.

1995

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	17*	22	47	83
Annual Benefits	$72,237	$261,675	$583,368	$1,159,964
Avg. Monthly Benefit	$354	$991	$1,034	$1,165

* Includes 1 member who did not have service reported.

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	2001 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
680	262	73	8	4	1	1,586
$18,387,201	$7,947,885	$2,782,670	$310,271	$204,734	$28,711	$38,290,101
$2,253	$2,528	$3,177	$3,232	$4,265	$0	$2,012

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1999 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
600	196	58	7	3	—	1,369
$15,169,104	$5,554,529	$2,006,955	$171,328	$141,829	—	$30,490,101
$2,107	$2,362	$2,884	$2,040	$3,940	—	$1,856

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1997 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
488	181	59	8	5	—	1,170
$10,956,910	$4,341,254	$1,813,002	$234,573	$184,659	—	$23,450,236
$1,871	$1,999	$2,561	$2,443	$3,078	—	$1,670

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1995 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
433	174	57	8	6	—	1,057
$8,737,269	$3,595,808	$1,525,723	$216,325	$175,218	—	$19,160,122
$1,682	$1,722	$2,231	$2,253	$2,434	—	$1,511

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	2001 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
429	196	56	14	6	—	906
$9,448,407	$5,308,669	$1,827,349	$396,861	$220,267	—	$20,422,176
$1,835	$2,257	$2,719	$2,362	$3,059	—	$1,878

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1999 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
382	140	45	16	5	—	781
$7,719,756	$3,245,859	$1,374,635	$442,477	$142,558	—	$15,786,727
$1,684	$1,932	$2,546	$2,305	$2,376	—	$1,684

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1997 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
336	132	45	15	6	—	714
$5,852,602	$2,610,733	$1,194,908	$372,674	$194,973	—	$12,627,026
$1,452	$1,648	$2,213	$2,070	$2,708	—	$1,474

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1995 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
298	128	42	17	5	—	659
$4,521,502	$2,134,183	$972,389	$378,429	$181,127	—	$10,264,874
$1,264	$1,389	$1,929	$1,855	$3,019	—	$1,298

Listing of Participating Employers

STATE GOVERNMENT

Adjutant General's Office E, F

Administrative Services E

Agriculture E

Bank Commission E

Boards and Commissions E

Board of Accountancy E

Board of Electricians E

Board of Land & Tax Appeals E

Board of Pharmacy E

Div. of Children & Youth E

Commissioner of Health and Welfare E

Corrections E, P

Cosmetology and Barbering Board E

Cultural Affairs E

Education E

Elderly and Adult Services E

Employment Security E

Environmental Services E

Executive Agencies E

Fish and Game Commission E, P

Glencliff Home for the Elderly E

Div. of Human Services E

Highway Safety E

Human Rights Commission E

Insurance E

Joint Board E

Judicial Council E

Justice E

Labor E

Laconia Developmental Services E

Legislative Branch E

Liquor Commission E, P

Mental Health E

New Hampshire Hospital E

New Hampshire Community Tech College System E

New Hampshire Office of Emergency Management E

New Hampshire Port Authority E

New Hampshire Retirement System E

New Hampshire Veterans Home E

Pari-Mutuel Commission E

Police Standards and Training E, P

Post Secondary Education Commission E

Public Employees Labor Relations Board E

Public Health E

Public Utilities Commission E

Real Estate Commission E

Registration in Medicine E

Resources and Economic Development E, F

Revenue Administration E

Safety E, P, F

Secretary of State E

Sweepstakes Commission E

Transportation E

Treasury E

Unified Court System E

Veterans Council E

Youth Development Center E

CITIES AND TOWNS (AND RELATED ENTITIES)

Allenstown 2E, P, F

Alstead P

Alton E, P

Amherst P

Andover P

Antrim E, P

Ashland E, P

Atkinson P

Auburn E, P

Baker Free Library E

Barnstead E, P, F

Barrington E, P

Bartlett P, F

BCEP Solid Waste District E

Bedford P, F

Belmont E, P, F

Bennington E, P

Berlin 2E, P, F

Bethlehem E, P

Boscawen E, P

Bow E, P, F

Bradford P

Brentwood E, P, F

Bridgewater P

Bristol E, P

Brookline E, P

Campton P

Campton-Thornton F

Canaan E, P

Candia P

Canterbury E, P

Carroll P, F

Center Harbor P

Central Hooksett Water Precinct E

Charlestown E, P

Chester E, P

Chesterfield E, P

Chichester P

Claremont E, P, F

Clarksville E

Colebrook E, P

Concord 2E, P, F

Conway E, P, F

Conway Village Fire District E

Cornish E

Danville P

KEY: E – Employees T – Teachers P – Police Officers F – Firefighters
Numbers before Key represent multiple groups.
SAU – School Administrative Unit

Deerfield E, P
Deering P
Derry 3E, P, F
Dover E, P, F
Dublin E, P, F
Dunbarton E, P, F
Durham E, P, F
East Derry Fire Precinct E, F
East Kingston E, P
Enfield E, P
Epping E, P, F
Epsom P, F
Exeter P, F
Farmington P
Fitzwilliam E, P
Francestown E
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
Goshen E, P
Grafton P
Grantham E, P
Greenfield E, P
Greenland E, P
Greenville E, P
Hampstead E, P
Hampton Falls P
Hampton E, P, F
Hancock P
Hanover E, P, F
Harrisville P
Haverhill E, P
Henniker E, P
Hillsborough P
Hinsdale P
Holderness E, P
Hollis E, P, F
Hooksett 2E, P, F
Hooksett Village Water Precinct E
Hopkinton E, P, F
Housing Authority of Salem E
Hudson E, P, F
Jackson E, P
Jaffrey P, F
Keene E, P, F
Kensington P
Kingston E, F, P
Laconia 3E, P, F
Lakes Region Mutual Fire Aid F
Lancaster E, P
Langdon P
Lebanon E, P, F
Lee P
Lempster E
Lincoln E, P
Lisbon P
Litchfield E, P, F
Littleton 3E, P, F
Londonderry E, P, F
Loudon E, P, F
Lyme E, P
Lyndeborough P
Madison P
Manchester P, F
Marlborough E, P
Mason P
Meredith E, P, F
Merrimack P, F
Middleton P
Milford 2E, P, F
Milford Area Communication E
Milton F, P
Monroe E
Mont Vernon E, P
Moultonboro E, P, F
Nashua Airport Authority E
Nashua E, P, F
New Boston P
New Castle E, P
New Durham E, P
New England Interstate Water Pollution Control Commission E
New Hampton E, P
New Ipswich E, P
New London E, P, F
New London-Springfield Water Precinct E
Newbury P
Newfields P
Newington P, F
Newmarket 2E, P
Newport E, P, F
Newton E, P
New Hampshire Municipal Bond Bank E
North Conway Water Precinct E
North Conway F
North Hampton E, P, F
Northfield E, P
Northumberland E, P
Northwood E, P, F
Nottingham F, P
Orford E, P
Ossipee E, P
Pease Development Authority E
Pelham P, F
Pembroke P
Penacook-Boscawen WP E
Peterborough E, P, F
Pittsburg E, P
Pittsfield E, P

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

Plainfield E, P
Plaistow E, P, F
Plymouth 2E, P, F
Plymouth Court Jurisdictional Association E
Portsmouth 2E, P, F
Raymond E, P, F
Rindge P, F
Rochester E, P, F
Rollinsford P
Rumney E, P
Rye P, F
Salem 2E, P, F
Sanbornton E, P
Sandown E, P
Sandwich P
Seabrook P, F
Shelburne E
Somersworth P, F
South Hampton P
Southern NH Planning Commission E
Springfield P
Stark E
Stewartstown E
Strafford P
Stratham E, P
Sugar Hill E, P
Sunapee E, P
Sutton P
Swanzey P
SWNH District Fire Mutual Aid E, F
Tamworth P
Temple P
Thornton E, P
Tilton E, P
Tilton/Northfield F
Troy E, P
Tuftonboro E, P
Unity E
Wakefield E, P
Walpole E, P
Warner E, P
Warner Village Water District E
Washington E, P
Waterville Valley P
Weare E, P
Webster E, P
Westmoreland E
Whitefield E, P
Wilmot P
Wilton E, P
Winchester E, P
Windham E, P, F
Wolfeboro E, P, F
Woodstock E, P
Woodsville E
Woodsville Fire District E

COUNTY GOVERNMENTS

Belknap County 2E, P
Carroll County E, P
Cheshire County E, P
Coos County 2E, P
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

Allenstown School District 2T
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
Berlin School District E, T
Bethlehem School District E, T
Bow School District 2E, 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 T
Chichester School District E, T
Claremont School District E, 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 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 Area School District E, T
Exeter Regional Co-Op School District E, T
Fall Mountain Regional School District E, T
Farmington School District E, T
Franconia School District E
Franklin School District E, T
Freedom School District E, T
Fremont School District E, T
Gilford School District E, T

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Gilmanton School District E, T
Goffstown School District T
Gorham School District E, T
Goshen-Lempster Coop School District E, T
Governor Wentworth Regional School District E, T
Grantham School District T
Greenland School District E, T
Hampstead School District E, T
Hampton Falls School District E, T
Hampton School District E, T
Hanover School District E, T
Harrisville School District T
Haverhill Coop School District E, T
Henniker School District E, T
Hill School District T
Hillsboro-Deering School District E, T
Hinsdale School District E, T
Holderness School District E, T
Hollis School District E, T
Hollis/Brookline Coop School District E, T
Hooksett School District E, T
Hopkinton School District E, T
Hudson School District E, T
Inter-Lakes School District E, T
Jackson School District E, T
Jaffrey-Rindge School District E, T
John Stark Regional School District E, T
Kearsarge Regional School District E, T
Keene School District E, T
Kensington School District E, T
Laconia School District E, T
Lafayette Regional School District T
Landaff School District T
Lebanon School District E, T
Lincoln Woodstock Coop School District E, T
Lisbon Regional School District E, T
Litchfield School District E, T
Littleton School District E, T
Londonderry School District E, T
Lyme School District E, T
Lyndeborough School District T
Madison School District T
Manchester School District T
Marlborough School District E, T
Marlow School District T
Mascenic Regional School District E, T
Mascoma Valley Regional School District E, T
Merrimack School District E, T
Merrimack Valley School District E, T
Milan School District T
Milford School District E, T
Milton School District E, T
Monadnock Regional School District E, T
Monroe School District E, T
Mont Vernon School District E, T
Moultonboro School District T
Nashua School District T
Nelson School District T
New Boston School District E, T
New Castle School District E, T
Newfields School District T
Newfound Area School District E, T
Newington School District E, T
Newmarket School District E, T
Newport School District E, T
North Hampton School District E, T
Northumberland School District E, T
Northwood School District E, T
Nottingham School District E, T
Orford School District E, T
Oyster River Coop School District E, T
Pelham School District E, T
Pembroke School District 3E, 3T
Pemi-Baker Regional School District E, T
Piermont School District T
Pittsburg School District T
Pittsfield School District E, T
Plainfield School District E, T
Plymouth School District E, T
Portsmouth School District - SAU 52 E, T
Profile School District E, T
Raymond School District E, T
Rivendell Interstate School District E, T
Rochester School District T
Rollinsford School District E, T
Rumney School District T
Rye School District E, T
Salem School District E, T
Sanborn Regional School District E, T
Seabrook School District E, T
Shaker Regional School District T
Somersworth School District E, T
Souhegan Cooperative School District E, T
South Hampton School District E, T
Stark School District E, T
Stewartstown School District T
Stoddard School District E, T

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Strafford School District E, T

Stratford School District E, T

Stratham School District E, T

Sunapee School District E, T

Tamworth School District E, T

Thornton School District E, T

Timberlane Regional School District E, T

University of New Hampshire—Keene State College E

University of New Hampshire—Plymouth State College E

Unity School District E, T

Wakefield School District E, T

Warren School District E, T

Washington School District E, T

Waterville Valley School District E, T

Weare School District T

Wentworth School District T

Westmoreland School District E, T

White Mountains Regional School District E, T

Wilton School District E, T

Wilton-Lyndeborough Coop School District E, T

Winchester School District E, T

Windham School District E, T

Winnacunnet School District E, T

Winnisquam Regional School District E, T

SCHOOL ADMINISTRATIVE UNITS

SAU 2 E, T

SAU 3 E

SAU 4 E

SAU 5 E

SAU 6 E

SAU 7 E, T

SAU 8 E

SAU 9 E, T

SAU 10 E, T

SAU 11 E

SAU 13 E

SAU 14 E

SAU 15 E

SAU 16 E, T

SAU 18 E, T

SAU 19 E, T

SAU 20 E

SAU 21 E, T

SAU 23 E, T

SAU 24 E, T

SAU 27 E

SAU 28 E

SAU 29 E, T

SAU 30 E, T

SAU 32 E

SAU 33 E

SAU 34 E

SAU 35 E, T

SAU 36 E

SAU 37 E

SAU 38 E, T

SAU 39 E

SAU 41 E

SAU 42 E

SAU 43 E, T

SAU 44 E, T

SAU 45 E

SAU 46 E

SAU 48 E, T

SAU 49 E

SAU 50 E

SAU 51 E, T

SAU 53 E, T

SAU 54 E

SAU 55 E

SAU 56 E, T

SAU 57 E

SAU 58 E

SAU 61 E

SAU 63 E, T

SAU 64 E, T

SAU 65 E

SAU 66 E

SAU 67 E

SAU 70 E

SAU 74 E, T

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