NEW HAMPSHIRE RETIREMENT SYSTEM

A Component Unit Of The State Of New Hampshire*

Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2004

*Please refer to footnote on the title page.

Introductory Section

Cover: A municipal official enjoys the view from Bondcliff in the Pemigewasset Wilderness confident that the NHRS is working hard to secure her retirement.

Design and 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, 2004

Merelise O'Connor
Interim 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.nh.gov/retirement/

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Table of Contents

CLICK HERE TO RETURN TO CONTENTS

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, 2003

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

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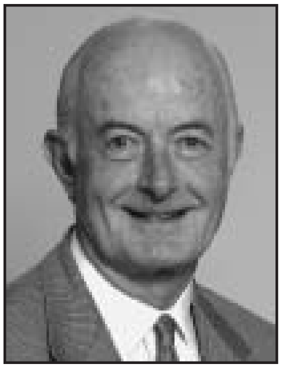
Letter From The Chairman

NEW HAMPSHIRE RETIREMENT SYSTEM

Serving over 70,000 public sector employees throughout New Hampshire's local, county and state governments

November 8, 2004

To: The Members of the New Hampshire Retirement System



Edward J. Theobald
Chairman
Board of Trustees

As Chairman of the Board of Trustees of the New Hampshire Retirement System (System), I am pleased to present the audited Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. 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 System, the actuarial procedures adopted by the Board on a continual review basis, and the prudent investment strategies of the Board are all designed to meet this very important objective.

The System's diversified investment policy, on balance, continues to be sound. The capital market performance has improved over the last fiscal year as evidenced by the overall domestic equity and international equity market returns (S&P 500 Composite Index and MSCI EAFE Index) of 19.10% and 32.37% respectively. The System portfolio is broadly diversified to provide protection against 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 while maintaining adequate levels of liquidity and risk. The total fund investment return for fiscal year ended June 30, 2004 was 14.94% and the annualized return over the ten year period ending June 30, 2004 was 10.00%. The ten year return ranks above the median of the Russell/Mellon Large Public Fund 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 earnings over the years have been more than sufficient and employer contribution rates, while increasing, remain reasonable.

Using a conservative measurement to assess the actuarial balance of the System as of June 30, 2004, the plan net assets are at 72.05% of the System's projected pension liability. A more appropriate measure is the System's present accrued pension liability funding status based on the Board of Trustees funding goal. At June 30, 2004, the plan assets were at 79.58% of the System's present accrued pension liability. These funding ratios have improved from the prior year due to the 14.94% investment return for the fiscal year.

The U.S. economic fundamentals continue to offer the strongest prospects for corporate growth on a global basis. The trustees are mindful, nevertheless, that the System operates in a dynamic economic environment. The challenges of investing System 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. The use of an active management strategy has generated approximately $215.5 million, net of fees, in additional investment returns for the marketable portion of the investments over the ten year period ending June 30, 2004, compared to the passive returns for these indices.

Furthermore, the use of alternative investment strategies has contributed approximately $59.6 million in additional investment gains to the System over the same ten year period. 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 System. The Board, with help from the System's actuary and investment consultants, has crafted an investment strategy designed to produce above average returns with moderate overall portfolio risk exposure to maintain the financial stability of the System.

On an administrative level, significant progress has been made during the past fiscal year towards the three broad themes in the System's strategic plan:

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

During the year ended June 30, 2004, the System's management team and staff focused primarily on Phase I of the technology update project. This project has included the full participation of the 458 public employers in New Hampshire who send wage and contribution data to the System for over 50,000 active members. This initiative demanded a great deal of staff resources and the staff's effort was exemplary in meeting this challenge. Besides learning and working with the new system, the staff conducted employer training throughout the state, produced user guides and assisted employers with this significant transition. Initially, the legacy and the new System were operated in tandem until the staff gained confidence that the new system functions on a stand-alone basis. The antiquated, legacy mainframe system is now being decommissioned and has been replaced by the new PensionGold system. The project was started in 2002 and as of this writing, the monthly pension checks are being processed for the first time using the state-of-the-art PensionGold system. At this point, this phase of the project is substantially complete. The System has also commissioned an independent review of the software security system to ensure that the System maintains the integrity of the data and protects the confidential member information.

The new system is designed to provide enhanced level of service to the plan members, and especially the maturing workforce now reaching retirement age.

The System will soon provide members and retirees electronic access to their own account information and will also allow the plan members access to the on-line benefit calculation functionality.

Traditionally, 1,100 members retire every year. This year, staff processed an unprecedented 602 retirees in July alone. This increase in sheer numbers is expected to increase with the graying of the baby boomers. Once again, staff rose to the challenge to ensure that the retirees received prompt and accurate pension payments.

The New Hampshire Legislature has created a new Judicial Retirement Plan (Judicial Plan) and the System is negotiating an agreement to perform third-party administration duties for the Judicial Plan which includes 58 sitting judges and 31 annuitants. The System staff and legal counsel have provided assistance to the Judicial Plan during the initial planning and start-up phase. While the Judicial Plan will maintain independent Board governance, actuarial services, legal counsel and investment consultants, the System, under an agreement between Boards of Trustees of the two plans, will take on the collection and maintenance of data as well as the payment of annuities to the retired judges.

I also want to express my gratitude to fellow Board members, who have worked diligently to assure the successful operation of the System. The Board of Trustees is keenly aware that many forces will shape and influence the System in the coming years. I am confident in our ability to meet these challenges and our fiduciary responsibility to the members of the System.

Sincerely,

Ed Theobald

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

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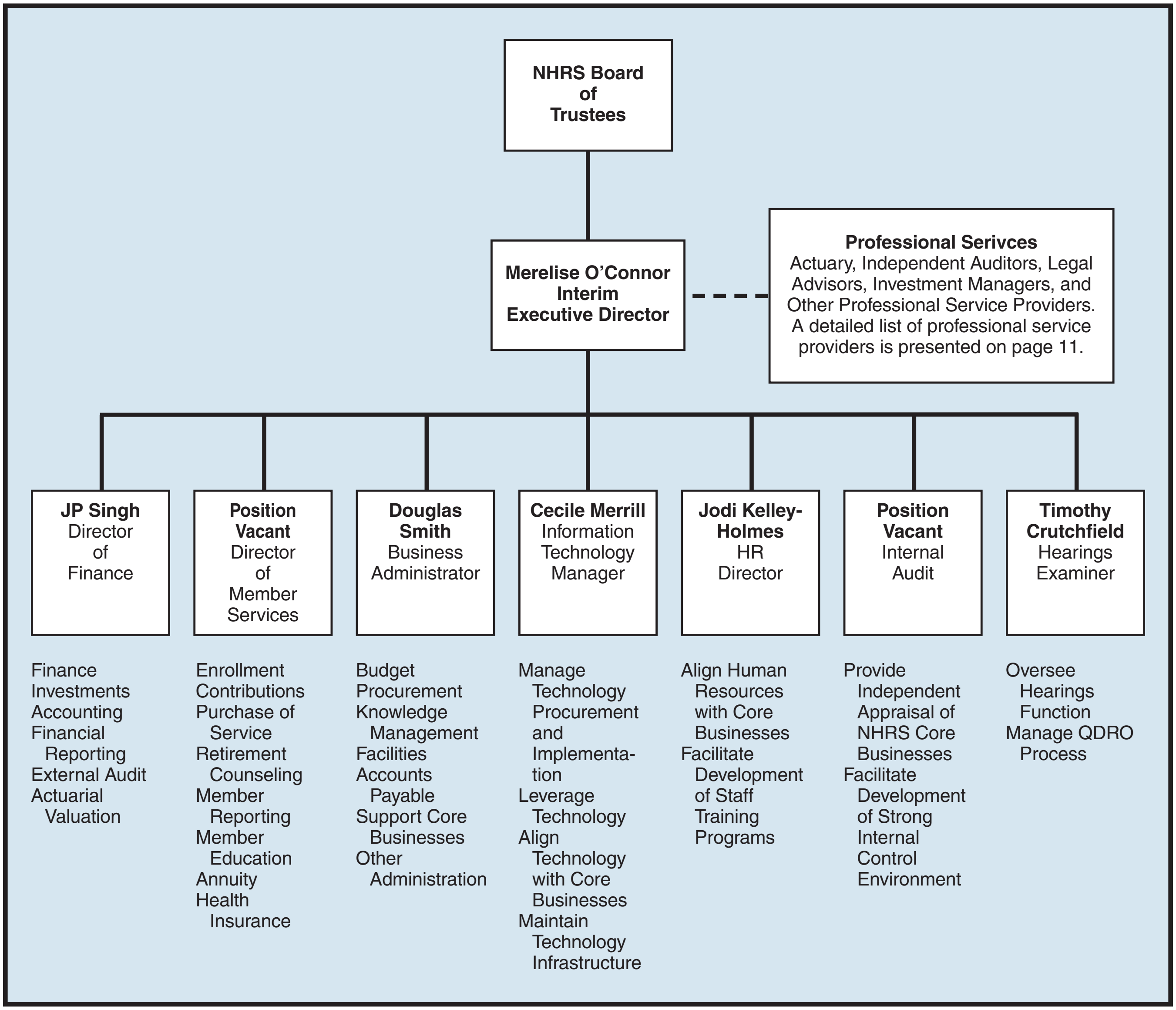
CLICK HERE TO RETURN TO CONTENTS

Administrative Organization



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CLICK HERE TO RETURN TO CONTENTS

Letter Of Transmittal

NEW HAMPSHIRE RETIREMENT SYSTEM

Serving over 70,000 public sector employees throughout New Hampshire's local, county and state governments

Merelise O'Connor
Interim
Executive Director

November 8, 2004

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 or the System) for the fiscal year ended June 30, 2004. This comprehensive report is designed to comply with the provisions of the Revised Statutes Annotated (RSA) 100-A:15, VI and VII of the State of New Hampshire.

The NHRS management is responsible for the complete and fair presentation of the data and the accompanying disclosures in this report. This report presents fairly the combined assessment of the investment results and the financial condition of the Pension Plan and the Postretirement Medical Plan.

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 become members if the local governing body elects participation. 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, The NHRS Pension Plan is deemed to be a single pension plan. In addition, NHRS administers a postretirement medical plan for qualified Group I and Group II members. A complete description of member's eligibility for each plan and additional information concerning benefits available are contained in the Summary of Plan Provisions beginning on page 16.

BUDGET CONTROLS AND NHRS ADMINISTRATION

The administrative budget of the NHRS for the fiscal year 2004 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 and funded with System plan assets.

In accordance with GASB Statement No. 14 guidelines for a reporting entity, the NHRS is a component unit of the State of New Hampshire.

NHRS is administered by a 13 member board of trustees, which includes one State Senator, one State Representative, and the State Treasurer as an ex-officio member, two employees, two teachers, two firefighters, two police officers, and two public non-members. The Board of Trustees formulates administrative policies and procedures, authorizes benefit payments to members and their beneficiaries and 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 master custodian, investment managers, investment advisors and outside legal counsel.

REPORT STRUCTURE

The Comprehensive Annual Financial Report is presented in five sections. The Introductory Section contains general information regarding the operations of the NHRS. The Financial Section contains the independent auditors' report, management's discussion and analysis, financial statements, related notes and disclosures, required supplementary information and certain supporting schedules. The Investment Section contains an investment report prepared by the investment consultant and comparative information pertaining to the investments held by the NHRS. The Actuarial Section contains the independent actuary's certification, an outline of actuarial assumptions and methods, and other actuarial statistics. The Statistical Section contains general statistical information regarding the NHRS participants and finances.

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 financial statements are prepared on the accrual basis of accounting. Contributions are recognized as revenue in the period when they become due pursuant to formal commitments or statutory or contractual requirements. Investment income is recognized as it is earned. Benefits, refunds and investment expenses are recognized when they become due and payable. Net appreciation (depreciation) in the fair value of investment is recorded as an increase (decrease) to investment income based on the valuation of investments as of the date of the financial statements. Trade commissions and related transaction costs are netted out against the fair value of investments. Capital assets that are legally the property of the NHRS are recognized as capital assets in the System's financial statements in accordance with the System's established capital asset policy.

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.

FINANCIAL PERFORMANCE

The Statements of Plan Net Assets and the Statements of Changes in Plan Net Assets show how the System's net assets have changed during the fiscal years ended June 30, 2004 and June 30, 2003. The detailed discussion on the investment performance, the sources of additions, deductions, and results of operations is covered in the Management's Discussion and Analysis beginning on page 25.

FUNDING STATUS

The NHRS has adopted an open group aggregate actuarial method, with target funding as a minimum, to determine the annual required contributions. In accordance with GASB 25 guidelines, this method does not identify or separately amortize unfunded actuarial liabilities. Therefore, the funded ratio can not be determined by the actuary. However, to measure the actuarial balance of the System, we have provided information on plan liabilities. The liabilities are determined using the unit credit actuarial cost basis to estimate pension benefits that will be paid in future years as result of member services performed to date and compensation earned to date. This ratio measures the progress made towards the Board of Trustees funded ratio goals. The funded ratio is determined by dividing the net assets held in trust for benefits by the pension liabilities.

A more conservative measurement is when plan liabilities are adjusted for the effects of projected future salary increase. The projected pension liability as of June 30, 2004 is presented on pages 72 and 73 based on this conservative approach. The fair value of net assets held in trust for benefits was $3.624 billion net of the Undesignated Special Account and the Account for Medical Insurance Subsidy. The projected pension liability totaled $5.030 billion, resulting in a funded ratio of 72.1% and projected pension liability in excess of the assets of $1.406 billion. For the fiscal year ended June 30, 2003, the funded ratio and the projected pension liability in excess of assets was 66.9% and $1.544 billion, respectively. The current funded ratio reflects the improvement in the fair value of assets which was partially offset by an increase in plan liabilities during the fiscal year.

The comparable data for the "Board of Trustees Funded Ratio Goals" are also presented on pages 72 and 73.

INVESTMENTS

RSA 100-A:15 fully empower 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 Board of Trustees 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, 12% 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 venture capital, timberfunds and absolute return strategies; and 10% in net equity in core and non-core commercial real estate investments combined. The Board of Trustees has set specific guidelines related to the third party debt for the core commercial real estate investments. The debt for the non-core real estate investments is governed by the contractual terms of each specific fund. 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 diversified investment policy, on balance, continues to be sound and is designed to generate the best possible total return on a long-term basis at an acceptable level of risk and liquidity. The discussion on comparative two year annualized returns, and related benchmark indices, for fiscal years 2004 and 2003 is presented in the Management's and Discussion and Analysis beginning on page 25.

MAJOR INITIATIVES

The NHRS has made some significant initiatives during the fiscal year in the areas of business process to enhance member services for the plan participants.

During the year ended June 30, 2004, the NHRS management team and staff focused primarily on Phase I of the technology update project. This project has included the full participation of the 458 public employers in New Hampshire who send wage and contribution data to the System for over 50,000 active members. This initiative demanded a great deal of staff resources and the staff's effort was exemplary in meeting this challenge. Besides learning and working with the new system, the staff conducted employer training throughout the state, produced user guides and assisted employers with this significant transition. Initially, the two systems were operated in tandem until the staff gained confidence that the new system functions on a stand-alone basis. The antiquated, legacy mainframe system is now being decommissioned and has been replaced by the new PensionGold system. The project was started in 2002 and as of this writing, the monthly pension checks are being processed for the first time using the state-of-the-art PensionGold system. At this point, this phase of the project is substantially complete. The System has also commissioned an independent review of the software security system to ensure that NHRS maintains the integrity of the data and protects the confidential member information.

The new system is designed to provide an enhanced level of service to the plan members, and especially the maturing workforce now reaching retirement age. The system will soon provide members and retirees electronic access to their own account information and will also allow the plan members access to the on-line benefit calculation functionality.

Traditionally, 1,100 members retire every year. This year, staff processed an unprecedented 602 retirees in July alone. This increase in sheer numbers is expected to increase with the graying of the baby boomers. Once again, staff rose to the challenge to ensure that the retirees received prompt and accurate pension payments.

The New Hampshire Legislature has created a new Judicial Retirement Plan (Judicial Plan) and the NHRS is negotiating an agreement to perform third-party administration duties for the Judicial Plan which includes approximately 90 sitting judges, retirees and beneficiaries. The NHRS staff and legal counsel have provided assistance to the Judicial Plan during the initial planning and start-up phase. While the Judicial Plan will maintain independent Board governance, actuarial services, legal counsel and investment consultants, the NHRS, under an agreement between Boards of Trustees of the two plans, will administer the collection and maintenance of data as well as the payment of annuities to the retired judges.

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 2004 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 Mellon Human Resources & Investor Solutions provides the actuarial experience review and valuation. The most recent valuation was performed as of June 30, 2003, and was updated to incorporate the investment performance for the fiscal year 2004. This data was used to determine the funding employer contributions for the System for the fiscal years ended June 30, 2006 and June 30, 2007 and was approved by the Board of Trustees. 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 thirteen 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 2003 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,

Merelise O'Connor
Interim 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, 2004, the employer contribution rate for providing retirement, disability, and death benefits for the employee classification was 5.90%. The employer contribution rate, including the State of New Hampshire's share, for the teacher classification for providing retirement, disability, and death benefits was 4.06%; for the police officer classification, 12.11%; and the firefighter classification, 20.68%.

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, 2004 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.

CLICK HERE TO RETURN TO CONTENTS

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 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 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 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 who complete 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.
- 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 following Group II members are eligible for the postretirement medical premium subsidy:

- Active or Retired Group II police officer members (or beneficiaries) as of June 30, 2000.
- Active or Retired Group II firefighter members (or beneficiaries) as of June 30, 2000.
- Persons who prior to July 1, 1988 had completed at least 20 years of Group II service and are eligible as of July 1, 1993 for a vested deferred retirement benefit.
- Group 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.
- Group II members as of June 30, 2005 who subsequently became disabled while in the performance of duty at any time in the future.
- Surviving spouses of deceased Group II members who retired prior to April 1, 1987 and who are not receiving a monthly allowance.

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

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.

REFUND 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.

CLICK HERE TO RETURN TO CONTENTS

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Financial Section

Independent Auditors' Report

KPMG

99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800

Independent Auditors' Report

The Fiscal Committee of the General Court:

We have audited the accompanying financial statements of the New Hampshire Retirement System (the System), a component unit of the State of New Hampshire, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's 2003 financial statements and, in our report dated November 7, 2003, 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 System as of June 30, 2004, and the changes therein for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements. The supporting schedules, introductory, investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The supporting schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The management's discussion and analysis on pages 25 through 29 and the historical pension information on pages 46 through 47 are not a required part of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2004 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should considered in assessing the results of our audit.

KPMG LLP

November 8, 2004

Management's Discussion and Analysis—Required Supplementary Information

This section presents management's discussion and analysis of the New Hampshire Retirement System's (System) financial performance during the fiscal year ended June 30, 2004 and is presented as a narrative overview and analysis in conjunction with the Letter of Transmittal included in the Introductory Section of the System's Comprehensive Annual Financial Report. The report presents the combined assessment of the financial performance of the Pension Plan and the Postretirement Medical Plan.

The discussion and analysis is intended to serve as an introduction to the basic financial statements. These statements include the Statements of Plan Net Assets, the Statements of Changes in Plan Net Assets, the related Notes to the Financial Statements, and the Required Supplementary Information for the fiscal year ended June 30, 2004 with summarized comparable totals for fiscal year 2003. The excess of assets over liabilities is reported as Net Assets Held in Trust for Benefits.

FINANCIAL HIGHLIGHTS

The net assets of the System increased by $489.6 million (12.5%) from the prior year's net asset balance. This was a significant improvement over the $34.8 million decrease in the net asset balance for the fiscal year 2003. The improvement was due to a double-digit return in the equity investment markets during fiscal year 2004 and continued strength in fixed income and real estate investments. Net investment income during fiscal year 2004 was $558.8 million compared to net investment income during fiscal year 2003 of $52.2 million. This represents a 14.9% time weighted investment rate of return for the total fund for the fiscal year ended June 30, 2004 compared to a 2.5% investment rate of return for the year ended June 30, 2003.

FINANCIAL ANALYSIS

The following schedules are the Condensed Comparative Plan Net Assets and the Condensed Comparative Changes in Plan Net Assets for the New Hampshire Retirement System for the fiscal years ended June 30, 2004 and June 30, 2003.

Condensed Comparative Plan Net Assets
(Dollar Values Expressed in Millions)

	As Of June 30, 2004	As Of June 30, 2003	Amount Increase (Decrease)	Percentage Increase (Decrease)
Cash	$ 1.6	$ 4.3	($ 2.7)	(62.8%)
Receivables	210.7	97.7	113.0	115.7%
Investments	4,380.2	3,945.4	434.8	11.0%
Cash Collateral on Securities Lending	390.8	432.2	(41.4)	(9.6%)
Other Assets	5.6	3.2	2.4	75.0%
Total Assets	**$4,988.9**	**$4,482.8**	**$506.1**	**11.3%**
Cash Collateral on Securities Lending	$ 390.8	$ 432.2	($ 41.4)	(9.6%)
Other Liabilities	206.8	148.9	57.9	38.9%
Total Liabilities	**$ 597.6**	**$ 581.1**	**$ 16.5**	**2.8%**
Net Assets Held in Trust for Benefits	**$4,391.3**	**$3,901.7**	**$489.6**	**12.5%**

CLICK HERE TO RETURN TO CONTENTS

Condensed Comparative Changes in Plan Net Assets
(Dollar Values Expressed in Millions)

	Year Ended June 30, 2004	Year Ended June 30, 2003	Amount Increase (Decrease)	Percentage Increase (Decrease)
ADDITIONS:				
Employer Contributions	$123.6	$ 88.5	$ 35.1	39.7%
Member Contributions	129.1	117.4	11.7	10.0%
Postretirement Medical Plan Contributions	43.1	29.3	13.8	47.1%
Net Investment Income (Loss)	558.8	52.2	506.6	970.5%
Asset Transfer from Pension Plan	1.7	1.6	0.1	6.3%
Other Income	0.9	0.9	—	—
Total Additions	**$857.2**	**$289.9**	**$567.3**	**195.7%**
DEDUCTIONS:				
Benefits Paid	$299.5	$272.6	$ 26.9	9.9%
Refunds of Contributions	16.8	15.2	1.6	10.5%
Administrative Expense	5.5	5.0	0.5	10.0%
Postretirement Medical Plan Contributions	43.1	29.3	13.8	47.1%
Asset Transfer to Postretirement Medical Plan	1.7	1.6	0.1	6.3%
Other Deductions	1.0	1.0	—	—
Total Deductions	**$367.6**	**$324.7**	**$ 42.9**	**13.2%**
Total Changes in Plan Net Assets	**$489.6**	**($ 34.8)**	**$524.4**	**1,506.9%**

Total assets increased by $506.1 million (11.3%) in fiscal year 2004. Investments increased $434.8 million (11.0%). This increase in investments reflects double-digit investment returns in domestic and international equity markets during the fiscal year and continued strength in fixed income and real estate investments. Cash collateral on security lending reflects a slight decrease of $41.4 million (9.6%). Receivables increased by $113.0 million (115.7%) over the prior fiscal year due primarily to an increase in the pending sale of securities at fiscal year end. Other assets increased $2.4 million for the fiscal year 2004. This increase in other assets was attributable to capitalized expenditures for the pension administration system that is under development.

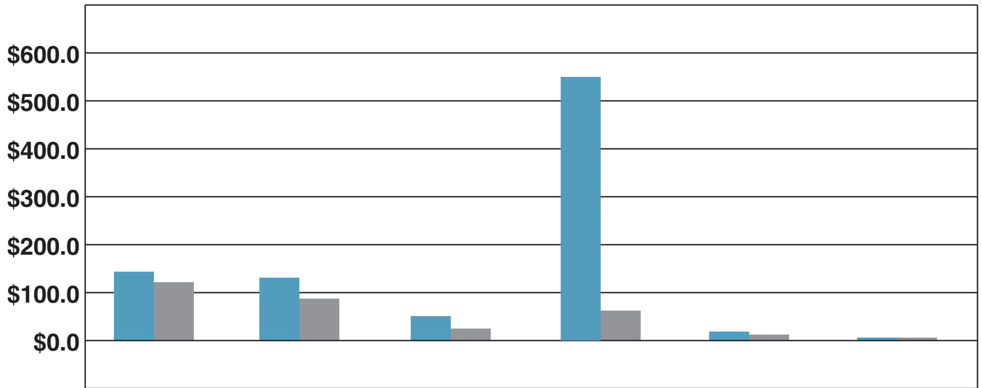
Liabilities increased by $16.5 million (2.8%) at the end of the fiscal year. The payables related to the pending purchases of securities as of June 30, 2004 and management fees were higher by $57.9 million compared to the prior year. The overall increase in payables was partially offset by a reduction of $41.4 million for cash collateral for security lending activities.

The Statements of Changes in Plan Net Assets itemizes Additions, Deductions, and Net Changes, showing how the assets have increased or decreased during the years ended June 30, 2004 and June 30, 2003. All activities are recorded using the accrual basis of accounting. Income is recognized when earned and expenses are recognized when incurred, regardless of the timing of cash flow. For the fiscal year ended June 30, 2004, the total changes in plan net assets were an increase of $489.6 million, a $524.4 million improvement over the prior fiscal year. Additions and deductions are the two major segments of the Statements of Changes in Plan Net Assets.

ADDITIONS TO PLAN NET ASSETS

For fiscal year 2004, the combined total of employer, member, and postretirement medical plan contributions increased by $60.6 million or 25.8%. Employer contributions increased from $88.5 million in fiscal year 2003 to $123.6 million (39.7%) in fiscal year 2004. The increase in employer contributions was a result of higher employer contribution rates and higher compensation paid to members. Member contributions increased by $11.7 million or 10.0% primarily due to an increase in the compensation paid to members,

Additions to Plan Net Assets
Comparative Data for FY 2004 and FY 2003
(in millions)



	Member Contributions	Employer Contributions	Postretirement Medical	Net Investment Income (Loss)	Asset Transfer From Pension Plan	Other Additions
FY 2004	$129.1	$123.6	$43.1	$558.8	$1.7	$0.9
FY 2003	$117.4	$88.5	$29.3	$52.2	$1.6	$0.9

voluntary member contributions and voluntary purchases of prior service by members. Employer contributions to the postretirement medical plan increased by $13.8 million or 47.1% which was attributable to higher employer contribution rates.

Over the long term, the System's investment portfolio has been a major source for additions to plan net assets. The net investment income for the year was $558.8 million, compared to a net investment income of $52.2 million for the prior year. Of this amount, there was net appreciation in the fair value of investments was $456.3 million.

Additionally, the income earned on investments was $124.2 million. Investment expenses declined during fiscal year 2004 by $1.6 million. Investment management fees decreased due to voluntary waivers of fees by alternative investment managers as a result of lower expected returns and the favorable impact of renegotiated fees with the equity and real estate investment managers.

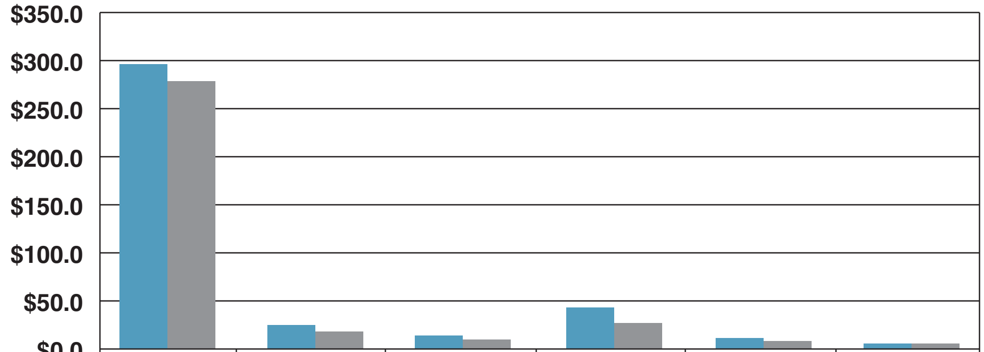
Asset transfers from the pension plan were $1.7 million in fiscal year 2004, compared to $1.6 million for the fiscal year 2003.

DEDUCTIONS TO PLAN NET ASSETS

Benefits paid increased by $26.9 million or 9.9% over fiscal year 2003. This increase was due to an additional number of retirees and on account of cost of living adjustments granted to retirees through legislative action. In addition, the postretirement medical subsidy paid to qualified retirees increased by an 8% in accordance with State law. Administrative expense increased from $5.0 million in fiscal year 2003 to $5.5 million, an increase of $0.5 million or 10.0%. This increase was primarily due to an increase in staff compensation. Asset transfers to the postretirement medical plan were $1.7 million for extending the eligibility requirement of group II disabled members.

CLICK HERE TO RETURN TO CONTENTS

Deductions to Plan Net Assets
Comparative Data for FY 2004 and FY 2003
(in millions)



	Benefits Paid	Refunds	Administrative Expenses	Postretirement Medical Expenses	Asset Transfer to Postretire-ment Medical Plan	Other Deductions
FY 2004	$299.5	$16.8	$5.5	$43.1	$1.7	$1.0
FY 2003	$272.6	$15.2	$5.0	$29.3	$1.6	$1.0

PLAN FUNDING STATUS

The System has adopted the open group aggregate funding method, with target funding as a minimum, to determine the annual required contributions. In accordance with the GASB 25 guidelines this method does not identify or separately amortize unfunded actuarial liabilities. However, to measure the actuarial balance of the System the funding ratio is calculated by dividing the fair value of assets held in trust for benefits by the present value of the liabilities. The liabilities are determined using the projected unit credit actuarial cost basis to estimate pension benefits that will be paid in future years as a result of member services performed to date and compensation earned to date and is adjusted for the effect of projected salary increases. Based on this calculation the funded ratio as of June 30, 2004 was 72.05% compared to 66.92% as of June 30, 2003.

The System's pension liabilities increased by $360.7 million from the prior year due to a maturing membership and due to increases in the overall compensation earned by members over the prior year. The improvement in the funded ratio to 72.05% was due to the increase in the fair value of assets which was partially offset by increase in the System's liabilities.

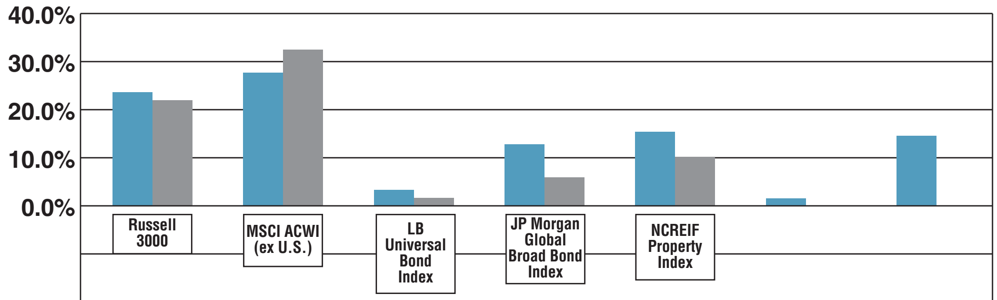
INVESTMENT PERFORMANCE

The System recognizes that it operates in a dynamic economic environment. The challenges of investing the System's funds strategically to achieve above average market returns balanced with controlled risk are greater than ever and the System has allocated assets to a broad range of assets classes to maximize investment returns and to maintain adequate levels of liquidity and risk.

The equity and fixed income investments comprise approximately 84.8% of invested assets as of June 30, 2004. The remaining 15.2% of assets are predominantly invested in commercial real estate and alternative investments, including venture capital, timber and absolute return strategy investments for the primary purpose of managing risk through diversification.

Investment performance results are measured by the relationship of the System's portfolio returns for equity and fixed income investments against widely accepted market indices. In the case of domestic equity,

Investment Performance NHRS vs. Selected Indices
FY 2004



	Domestic Equity	International Equity	Domestic Fixed	Global Fixed	Commercial Real Estate	Alternatives	Total Fund
NHRS	21.5%	27.8%	1.9%	11.4%	15.5%	1.6%	14.9%
Indices	20.5%	32.5%	1.0%	5.6%	10.8%	*	*

*Comparable indices are not available.

the Russell 3000 Index, and for domestic fixed income the Lehman Brothers Universal Bond Index. International equity is measured against MSCI ACWI (ex U.S.) Index and global fixed income against the J.P. Morgan Global Broad Bond Index. Additionally, commercial real estate investments are compared against the NCREIF Property Index.

For the fiscal year ended June 30, 2004, the System's total fund return was 14.9%, compared to 2.5% for the fiscal year ended June 30, 2003, an improvement of 12.4% on a year-to-year basis. The domestic equity portfolio returned 21.5%. Diversification among both large and small capitalization value and growth companies helped the System's domestic equity returns outperforming the Russell 3000 Index by 1.0%. The annualized 5 year return for this asset class outperformed the index by 0.7%. The International equity investments returned 27.8%, lagging the MSCI ACWI (ex U.S) Index by 4.7%. However, the annualized 5 year return for this asset class lagged the index by only 1.5%. The domestic fixed income investments returned 1.9% outperforming the Lehman Brothers Universal Bond Index by 0.9% and the global fixed income portfolio returned 11.4%, outperforming the J.P. Morgan Global Broad Bond Index by 5.8%. The global fixed income portfolio performance was helped by investment in high yield bonds and non-dollar securities.

Additionally, the commercial real estate portfolio returned 15.5% and outperformed the NCREIF Property Index by 4.7%. The sale of an office property in Florida and an apartment building in California helped the performance of real estate portfolio. The alternative investment class, including venture capital, timberfunds and absolute return strategy investments returned 1.6% for the fiscal year ended June 30, 2004. The 'fund of funds' multi-strategy absolute return investments, included in this asset class, earned 8.4% for the fiscal year.

CONTACTING THE NEW HAMPSHIRE RETIREMENT SYSTEM

The Comprehensive Annual Financial Report is designed to provide a general overview of the New Hampshire Retirement System's investment results and financial condition of the Pension Plan and Postretirement Medical Plan for the year ended June 30, 2004. Please contact the New Hampshire Retirement System's Office for additional financial information or for questions related to this report.

STATEMENTS OF PLAN NET ASSETS

(in thousands)

AS OF JUNE 30, 2004 (with summarized financial information as of June 30, 2003)

	PENSION PLAN 2004	POST RETIREMENT MEDICAL PLAN 2004	TOTAL 2004	TOTAL 2003
ASSETS:				
Cash	$ 1,439	$ 162	$ 1,601	$ 4,319
Receivables:				
Due from Employers	9,226	—	9,226	6,143
Due from State	4,620	—	4,620	3,602
Due from Plan Members	11,178	—	11,178	9,999
Due from Brokers for Securities Sold	153,205	17,253	170,458	64,145
Interest and Dividends	12,269	1,382	13,651	13,283
Other	1,392	157	1,549	558
Total Receivables	**191,890**	**18,792**	**210,682**	**97,730**
Investments At Fair Value (NOTES 2 and 3):				
Equity Investments:				
Domestic	2,000,106	225,241	2,225,347	1,839,004
International	380,611	42,862	423,473	331,584
Fixed Income Investments:				
Domestic	778,670	87,690	866,360	895,875
Global	146,826	16,535	163,361	179,712
Commercial Real Estate	283,401	31,915	315,316	363,376
Alternative Investments	316,835	35,680	352,515	332,137
Temporary Investments	30,461	3,430	33,891	3,717
Total Investments	**3,936,910**	**443,353**	**4,380,263**	**3,945,405**
Cash Collateral on Securities Lending (NOTE 3)	351,220	39,552	390,772	432,162
Other Assets	5,015	564	5,579	3,171
TOTAL ASSETS	**4,486,474**	**502,423**	**4,988,897**	**4,482,787**
LIABILITIES:				
Cash Collateral on Securities Lending (NOTE 3)	351,220	39,552	390,772	432,162
Management Fees and Other Payables	5,598	630	6,228	5,432
Due to Brokers for Securities Purchased	180,306	20,305	200,611	143,512
TOTAL LIABILITIES	**537,124**	**60,487**	**597,611**	**581,106**
NET ASSETS HELD IN TRUST FOR BENEFITS (NOTE 4)	**$3,949,350**	**$441,936**	**$4,391,286**	**$3,901,681**

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

STATEMENTS OF CHANGES IN PLAN NET ASSETS

(in thousands)

FOR THE YEAR ENDED JUNE 30, 2004 (with summarized financial information for the year ended June 30, 2003)

	PENSION PLAN 2004	POST RETIREMENT MEDICAL PLAN 2004	TOTAL 2004	TOTAL 2003
ADDITIONS:				
Contributions (NOTE 6):				
Employers	$ 65,334	$ 35,471	$ 100,805	$ 70,924
State Contributions on Behalf of Local Employers	15,223	7,612	22,835	17,553
Total Employer Contributions	**80,557**	**43,083**	**123,640**	**88,477**
Plan Members	129,087	—	129,087	117,412
Postretirement Medical Plan Contributions on Behalf of Employers	43,083	—	43,083	29,305
Total Contributions	**252,727**	**43,083**	**295,810**	**235,194**
Investment Income				
From Investment Activities:				
Net Appreciation (Depreciation) in Fair Value of Investments	408,744	47,597	456,341	(58,665)
Interest	46,646	5,432	52,078	57,063
Dividends	31,834	3,707	35,541	33,911
Alternative Investment Income	5,661	659	6,320	4,423
Net Commercial Real Estate Operating Income	26,308	3,063	29,371	37,850
Total Income from Investment Activities	**519,193**	**60,458**	**579,651**	**74,582**
Less: Investment Expenses:				
Investment Management Fees	18,729	2,181	20,910	22,610
Custodial Fees	466	54	520	467
Investment Advisor Fees	302	35	337	325
Total Investment Activity Expenses	**19,497**	**2,270**	**21,767**	**23,402**
Total Net Income from Investment Activities	**499,696**	**58,188**	**557,884**	**51,180**
From Securities Lending Activities (NOTE 3):				
Securities Lending Income	3,788	441	4,229	6,264
Less: Securities Lending Borrower Rebates	2,625	306	2,931	4,801
Less: Securities Lending Management Fees	348	41	389	439
Net Income from Securities Lending Activities	**815**	**94**	**909**	**1,024**
Total Net Investment Income	**500,511**	**58,282**	**558,793**	**52,204**
Asset Transfer From Pension Plan (NOTE 5)	—	1,688	1,688	1,551
Other	817	95	912	971
TOTAL ADDITIONS	**754,055**	**103,148**	**857,203**	**289,920**
DEDUCTIONS:				
Benefits Paid	267,007	32,492	299,499	272,632
Refunds of Contributions	16,781	—	16,781	15,223
Administrative Expense (NOTE 8)	4,924	573	5,497	5,038
Postretirement Medical Plan Contributions to Pension Plan on Behalf of Employers	—	43,083	43,083	29,305
Asset Transfer to Postretirement Medical Plan (NOTE 5)	1,688	—	1,688	1,551
Professional Fees	625	73	698	661
Other	315	37	352	304
TOTAL DEDUCTIONS	**291,340**	**76,258**	**367,598**	**324,714**
CHANGE IN NET ASSETS	**$ 462,715**	**$ 26,890**	**$ 489,605**	**($ 34,794)**
NET ASSETS HELD IN TRUST FOR BENEFITS				
Beginning of the Year	$3,486,635	$415,046	$3,901,681	$3,936,475
End of the Year	$3,949,350	$441,936	$4,391,286	$3,901,681

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

CLICK HERE TO RETURN TO CONTENTS

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). However, based on GASB 25 guidelines, the pension plan is considered to be a single pension plan for financial reporting purposes. 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, the New Hampshire Retirement System is a component unit of the State. This determination was made on the basis of fiscal dependence on the State solely for budget oversight over administrative expenses.

The type and number of employers contributing to the System during the years ended June 30, 2004 and 2003 are presented below.

EMPLOYERS CONTRIBUTING	2004	2003
State Government	1	1
City Governments	13	13
Town Governments and Related Entities	227	218
County Governments and Related Entities	11	11
School Districts and School Administrative Units	206	218
Total Employers	**458**	**461**

As of June 30, 2004 and 2003, membership data related to the pension plan was as follows:

MEMBERSHIP DATA	2004#	2003
Retirees and beneficiaries currently receiving benefits	17,790	17,005
Terminated employees entitled to benefits but not yet receiving them	375	639
Active plan participants	50,420	50,910
Inactive plan participants	6,697	5,930
Total Membership	**75,282**	**74,484**

Information estimated as there was no full actuarial valution prepared as of June 30, 2004.

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 below.

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

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

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

Members 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, 2004 for qualified members (and beneficiaries) not eligible for Medicare is $298.13. For those eligible for Medicare, the maximum monthly subsidy is $188.02. The monthly maximum premium is increased each July 1 by 8%.

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 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 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.

CLICK HERE TO RETURN TO CONTENTS

- 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.
- 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 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, 2005 who subsequently become disabled while in the performance of duty at any time in the future.
- Surviving spouses of deceased Group II members who retired prior to April 1, 1987 and who are not receiving a monthly allowance.

The 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, 2004, there were 4,912 Group I and 2,639 Group II retired members 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 in the period when they become due pursuant to formal commitments or statutory or contractual requirements. Investment income is recognized as it is earned. Benefits, refunds and investment expenses are recognized when they become due and payable. Net appreciation (depreciation) in the fair value of investments is recorded as an increase (decrease) to investment income based on the valuation of investments as of the date of the financial statements. Trade commissions and related transaction costs are netted 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, 2003, from which the summarized information was derived. Certain amounts for fiscal year 2003 have been reclassified to conform to the fiscal year 2004 presentation.

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 the trade date basis for accounting of these investments. Commercial real estate properties are organized into separate holding companies which are wholly-owned by the System for the purpose of limiting the System's liability to the carrying value of each individual property. The appraised value of the real estate, as well as the fair value of the related assumable mortgage notes payable are considered in determining the fair value of these investments. 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 venture capital funds, buyout funds, natural resources funds, mezzanine capital funds, timberfunds and absolute return strategies. 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. As of June 30, 2004, the System had a $33.9 million balance in Temporary Investments.

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.

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.

CAPITAL ASSETS

Capital assets acquired by the System are recorded in the financial statements in accordance with the System's capital asset policy. During fiscal year 2004, $2.4 million of costs associated with the development of the System's new pension administration system were capitalized. These costs will be depreciated over the estimated useful life of the pension administration system once the system is placed in service. For fiscal year 2004 this system is not in service, therefore, no depreciation was recognized.

As of June 30, 2004, $5.4 million of costs associated with this system's development have been capitalized and are reflected as other assets because the amounts capitalized are not considered to be material.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Fair values for commercial real estate and alternative investments have been estimated in the absence of readily available fair values, and these estimates may be materially different than values that would have been used had a ready market existed for these investments.

CLICK HERE TO RETURN TO CONTENTS

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 fixed income managers to invest in mortgaged backed securities. International equity and global fixed income managers may use futures, options and currency forward contracts for the purpose of currency risk management of non-U.S. investments. Fixed income managers may also use futures and options for initiating long positions on U.S. Treasury securities and for management of interest rate exposure. Domestic equity and international equity managers are permitted to use futures and options for purposes of equitizing cash and for initiating positions for a new portfolio. The System's investment policy has pre-established thresholds to limit the risk exposure on these investments. The use of derivatives is permitted for defensive purposes only and any speculative hedging or leveraging of the portfolios is prohibited.

As of June 30, 2004 and June 30, 2003, the System had $134.6 million (3.1%) and $146.9 million (3.8%) of total investments, respectively, in non-leveraged mortgage backed securities. The investments in mortgaged backed securities are reported at fair 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 Universal Bond Index for fixed income securities. Investments in mortgage backed securities are also permitted because of the excess return they offer over other fixed income securities.

Foreign currency exchange contracts open at June 30, 2004 were as follows:

OPEN FOREIGN CURRENCY EXCHANGE CONTRACTS **(in thousands)**

	Fair Value	Aggregate Cost Value	Delivery Dates	Unrealized Appreciation	Unrealized (Depreciation)
Foreign currency exchange contracts purchased:					
Australian Dollar	$ 9,672	$ 9,657	07/16/04	$ 15	—
New Zealand Dollar	6,279	6,291	07/15/04	—	—
Euro	481	481	07/01/04–07/02/04	—	($ 12)
Japanese Yen	37	37	07/02/04	—	—
Foreign currency exchange contracts sold:					
Euro	$32,276	$32,379	07/01/04–07/16/04	$103	—
Australian Dollar	9,672	9,624	07/16/04	—	($ 48)
New Zealand Dollar	6,279	6,180	07/15/04	—	(99)
British Pound Sterling	266	266	07/01/04–07/06/04	—	—
Swedish Krona	172	172	07/02/04	—	—
Japanese Yen	134	135	07/01/04	1	—
Totals				**$119**	**($159)**

The fair value of open currency forward contracts, including any unrealized appreciation or (depreciation), is recorded on the Statements of Net Plan Assets as amounts Due from/to Brokers for Securities Sold/Purchased.

As of June 30, 2004, there was $7.8 million invested in futures and no investments in options. At June 30, 2003 there were no investments in either futures or options.

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 fair 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, 2004 and June 30, 2003 have market risk ratings within the range of "low" to "moderate to high."

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 fair 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 102.0% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned against collateral valued at 105.0% of the fair value of the securities plus any accrued interest, except that fixed income securities can be loaned against same currency collateral at 102% plus any accrued interest. The actual collateral value was equal to 102.0% for U.S. securities and 106.1% for non-U.S. securities at June 30, 2004 and 102.9% for U.S. securities and 108.3% for non-U.S. securities at June 30, 2003. Collateral is marked-to-market daily. If the fair value of the collateral falls below the minimum collateral requirements, additional collateral is provided by the participating borrower subject to established minimum thresholds. The weighted average maturity of the collateral investment 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.

CLICK HERE TO RETURN TO CONTENTS

The fair value of securities on loan, the collateral held, and the security lending income as of June 30, 2004 and June 30, 2003 are presented below.

SECURITIES LENDING ACTIVITIES	($ in millions)	
	2004	2003
Fair Value of U.S. and Non-U.S. Securities on Loan	$557.6	$496.0
Collateral Held Against U.S. and Non-U.S. Securities	$576.3	$515.2
Ratio of Collateral held to Loan Securities	103.4%	103.9%
Net Income From Securities Lending Program	$0.909	$1.024

The System did not incur any losses on loaned securities during the fiscal years ended June 30, 2004 and June 30, 2003. 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 102.0% or 105.0%, plus accrued interest, management believes that there is no credit risk 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, 2004 and June 30, 2003 were $390.8 million and $432.2 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, 2004 and 2003. 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, 2004, the carrying amount of the System's deposits was $1.6 million and the bank balance was $11.1 million. At June 30, 2003, the carrying amount of the System deposits was $4.3 million and the bank balance was $11.7 million. The deposits are held in one financial institution. Of the bank balances at June 30, 2004 and 2003, $100,000 was covered by federal depository insurance. The remaining bank balance amounts at June 30, 2004 and 2003 were uninsured and uncollateralized.

(b) The table on the next page provides information about the credit 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.
- Non-categorized investments are those that do not meet the criteria set forth in categories 1, 2 or 3.

INVESTMENTS BY RISK CATEGORY	(in thousands)	
	FAIR VALUE AT JUNE 30	
	2004	2003
CATEGORY 1		
Securities Not On Loan:		
Common Stock	$2,082,765	$1,741,848
Preferred Stock	2,959	1,895
Convertible Equity	1,085	1,423
Corporate Bonds	233,474	211,748
Convertible Corporate Bonds	13,593	31,310
U.S. Government and Agency Bonds	353,186	300,985
Asset Backed Securities	30,936	46,403
Commercial Mortgage Backed Securities	36,377	21,613
Collateralized Mortgage Bond Obligations	16,351	66,538
Commercial Paper	35,933	—
Short Term Bills and Notes	25,804	28,083
Securities On Loan for Non-Cash Collateral:		
Common Stock	11,530	39,993
Corporate Bonds	584	4,182
U.S. Government and Agency Bonds	32,577	33,125
International Equities	117,419	—
International Government Bonds	14,144	—
TOTAL CATEGORY 1	**3,008,717**	**2,529,146**
CATEGORY 2		
No Investments	—	—
CATEGORY 3		
Common Stock	104	—
U.S. Government and Agency Bonds	—	53
Foreign Currency	216	59
Foreign Currency Held as Call Deposits	326	977
TOTAL CATEGORY 3	**646**	**1,089**
NON-CATEGORIZED		
Held by Broker/Dealers Under Securities Loans with Cash Collateral:		
Common Stock	221,331	304,503
Corporate Bonds	38,272	66,993
U.S. Government and Agency Bonds	54,582	41,101
International Equities	53,123	—
International Government Bonds	13,988	6,138
Pending Trade Purchases and Sales:		
Common Stock	115,361	1,561
Preferred Stock	7	—
Corporate Bonds	768	5,316
U.S. Government and Agency Bonds	77,396	77,772
Asset Backed Securities	1,515	—
Commercial Mortgage Backed Securities	1,053	—
Fixed Income Derivitives—Futures	7,849	—
Fixed Income Futures	(7,849)	—
Commercial Real Estate	315,316	363,376
Limited Partnerships and Other Structured Alternative Investments	352,515	332,137
Pooled Short Term Investment Funds*	125,673	216,273
TOTAL NON-CATEGORIZED	**1,370,900**	**1,415,170**
TOTAL INVESTMENTS	**$4,380,263**	**$3,945,405**
Securities Lending Collateral Investment Pool (Non-Categorized)	$ 390,772	$ 432,162

*The pooled short term investment funds are managed by the System's custodian, The Northern Trust Company. These funds invest mainly in high-grade money market instruments with maturities averaging less than three months. These funds provide participants with daily liquidity.

CLICK HERE TO RETURN TO CONTENTS

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, 2003 ACTUARIAL VALUATION

Changes in actuarial assumptions for fiscal year 2004:

Actuarial valuations are performed biennially. There have been no changes in actuarial assumptions since the last actuarial valuation was performed as of June 30, 2003.

Legislation was enacted in the 2004 legislative session which:

(a) Extends the group II 401(h) insurance subsidy to active or retired Police Officers and Firefighters who become members prior to July 1, 2005 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) Allows the Board of Trustees to recover the overpayment of benefit amounts which were paid after the death of a retiree or beneficiary or after the remarriage of a surviving spouse.

(c) Allows certain political subdivision employee members of the System to purchase prior service credit where the member participated in a local retirement plan, allows any System member who was making additional contributions prior to December 31, 2004 to continue to make additional contributions after December 31, 2004, and removes time frames for applications to purchase service credit.

(d) Provides for the accrual of and payment for creditable service for retirement system members who enter qualifying military service as defined in federal law and become reemployed.

As a result of legislation for item (a), $1.7 million was transferred druing fiscal year 2004, based on the effective date of the legislation, 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):

(e) Provides a 1.0% COLA for Employees, Teachers and Police Officers and a 2.5% COLA for Firefighters who retired prior to July 1, 2003, effective July 1, 2004.

Items (a) and (e) 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 $26.5 million. Items (b), (c) and (d) will have no effect on the normal rate.

Changes in actuarial assumptions for fiscal year 2003:

The retirement assumption for Employees, the future workforce size assumption for Teachers and the future new entrant assumptions and inflation assumption for all classifications were revised to more closely reflect the actual experience of the System. These changes will increase or (decrease) the normal contribution rates by .06%, (.10%), (.55%) and (1.48%) for Employees, Teachers, Police Officers and Firefighters, respectively.

Legislation was enacted in the 2003 legislative session which:

(a) Extends the group II 401(h) insurance subsidy to active or retired Police Officers and Firefighters who become members prior to July 1, 2004 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) Allows veterans who are active employees in the System to purchase as additional creditable service certain time in the armed forces of the United States.

(c) Provides that the determination of the cost to purchase creditable service in the System shall include the cost of the postretirement medical insurance subsidy.

(d) Provides for the subdivision of the Special Account into a State employee portion and a political subdivision portion, and adds the requirement for the approval and use of retirement system funds in the Special Account for supplemental benefits.

As a result of the legislation for item (a), $1.6 million was transferred during fiscal year 2003, based on the effective date of the legislation, 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):

(e) Provides a 2.0% COLA for Employees, Teachers and Police Officers and a 3.5% COLA for Firefighters who retired prior to July 1, 2002, effective July 1, 2003.

The above amendments were reflected in the June 30, 2003, valuation.

Items (a) and (e) 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 $42.4 million. Items (b), (c) and (d) 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 on page 42, are set by statute under RSA 100-A:16 and depend on the member's group affiliation.

RSA 100-A:16 outlines the employer contributions made to the 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 normal rates determined from the open group aggregate cost method for fiscal years prior to July 1, 2003 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. The normal rates determined from the open group aggregate cost method for fiscal years beginning on or after July 1, 2003 cannot be less than the normal rate determined to produce a funding ratio of 115% over a 20 year period and an 8% interest rate.)

Pursuant to RSA 100-A:52a, postretirement medical premium subsidies are provided to certain Group I members and Group II 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. 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 funding strategy for normal cost should provide sufficient resources to pay employee pension benefits on a timely basis.

The annual covered payroll for the year ended June 30, 2004 is estimated to be $1,958.6 million and the annual covered payroll for the fiscal year ended June 30, 2003 was $1,872.9 million.

CLICK HERE TO RETURN TO CONTENTS

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

PERCENT OF COVERED PAYROLL FOR RETIREMENT BENEFITS

Member Category	(FY 2004) Member Normal Share	(FY 2004) Employer Normal Share State	Local	Total	(FY 2003) Member Normal Share	(FY 2003) Employer Normal Share State	Local	Total
Employees								
State	5.00%	5.90%	—	5.90%	5.00%	4.14%	—	4.14%
Local	5.00%	—	5.90%	5.90%	5.00%	—	4.14%	4.14%
Teachers	5.00%	1.42%	2.64%	4.06%	5.00%	1.39%	2.58%	3.97%
Police Officers	9.30%	4.24%	7.87%	12.11%	9.30%	2.87%	5.33%	8.20%
Firefighters	9.30%	7.24%	13.44%	20.68%	9.30%	3.56%	6.61%	10.17%

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)

Member Category	(FY 2004) Member Normal Share	(FY 2004) Employer Normal Share*	(FY 2004) Total Contributions	(FY 2003) Member Normal Share	(FY 2003) Employer Normal Share*	(FY 2003) Total Contributions
Employees	$ 52,347	$ 48,457	$100,804	$ 46,350	$32,559	$ 78,909
Teachers	47,458	32,586	80,044	44,104	31,085	75,189
Police Officers	20,743	24,624	45,367	19,233	16,470	35,703
Firefighters	8,539	17,973	26,512	7,725	8,363	16,088
Total Contributed	**$129,087**	**$123,640**	**$252,727**	**$117,412**	**$88,477**	**$205,889**

* 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

Member Category	(FY 2004) Member Normal Share	(FY 2004) Employer Normal Share	(FY 2004) Total	(FY 2003) Member Normal Share	(FY 2003) Employer Normal Share	(FY 2003) Total
Employees	6.22%	5.75%	11.97%	5.81%	4.08%	9.89%
Teachers	5.74%	3.94%	9.68%	5.51%	3.89%	9.40%
Police Officers	10.04%	11.91%	21.95%	9.81%	8.40%	18.21%
Firefighters	10.28%	21.63%	31.91%	9.77%	10.58%	20.35%
Total Contributed	**6.59%**	**6.31%**	**12.90%**	**6.27%**	**4.72%**	**10.99%**

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 I and Group II members. As provided by RSA 100-A:53, I., 33-1/3% of certain Group I and Group II employer contributions are paid into the Medical Plan Subtrust. Subsequently, a transfer is made from the Medical Special Account to the pension plan equal to the contributions made to the Medical Plan Subtrust.

PERCENT OF COVERED PAYROLL FOR POSTRETIREMENT MEDICAL PREMIUMS

Member Category	(FY 2004) Member Normal Share	(FY 2004) Employer Normal Share State	Local	Total	(FY 2003) Member Normal Share	(FY 2003) Employer Normal Share State	Local	Total
Employees								
State	—	1.95%	—	1.95%	—	1.38%	—	1.38%
Local	—	—	1.95%	1.95%	—	—	1.38%	1.38%
Teachers	—	0.47%	0.88%	1.35%	—	0.46%	0.86%	1.32%
Police Officers	—	1.41%	2.62%	4.03%	—	0.96%	1.77%	2.73%
Firefighters	—	2.41%	4.48%	6.89%	—	1.19%	2.20%	3.39%

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, however, it cannot be lower than the five year average value.

The computation of the forecasted employer pension contribution rates effective for fiscal year 2004 was performed as part of the June 30, 2001 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 normal rates determined using the open group aggregate method for fiscal years prior to July 1, 2003 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. The normal rates determined using the open group aggregate method for fiscal years on or after July 1, 2003 cannot be less than the normal rate determined to produce a funding ratio of 115% 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 2004 and 2003 fiscal years were based on the June 30, 2001 and the June 30, 1999 actuarial valuation, as required by the Board of Trustees.

A reconciliation of the normal rates determined in the June 30, 2001 valuation to the normal rates determined in the June 30, 2003 valuation is shown 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, 2001 actuarial valuation.

Reconciliation of the Actuarial Projected Employer Normal Contribution Rates as of June 30, 2003

	Employees	Teachers	Police Officers	Firefighters
Forecasted Employer Normal Rates as Determined by 6/30/2001 Valuation	5.12%	3.44%	10.47%	14.41%
Decremental Experience	0.08	(0.04)	0.32	0.22
Pensioners' Experience	0.04	0.03	0.05	(0.06)
Excess Salary Increases	(0.02)	0.11	—	0.36
Assets Different than Expected	0.65	1.03	1.69	2.29
Current New Entrants	—	—	—	(0.10)
Assumption Changes*	0.06	(0.10)	(0.55)	(1.48)
Amendments	0.08	0.02	0.28	0.33
Balancing Items	0.05	0.18	0.07	0.34
Forecasted Employer Normal Rates as Determined by 6/30/2003 Valuation	6.06%	4.67%	12.33%	16.31%

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

* Includes new entrant population assumption changes.

CLICK HERE TO RETURN TO CONTENTS

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 2004	2003
Employees	$1,128,550	$ 962,453
Teachers	1,500,736	1,310,165
Police Officers	683,032	590,491
Firefighters	311,522	261,541
Special Account	325,510	361,985
Medical Special Account	350,014	344,172
401(h) Subtrust	91,922	70,874
TOTAL NET ASSETS HELD IN TRUST FOR BENEFITS	**$4,391,286**	**$3,901,681**

SPECIAL ACCOUNT

RSA 100-A:16, II(h) provides for a Special Account to fund or partially fund additional benefits as follows: first, to provide supplemental allowances, or cost of living adjustments (COLAs), pursuant to RSA 100-A:41-a and, second, to the extent that funds may be available in the Special Account in excess of a 3-year 5% COLA reserve, to provide additional benefits to retired members and beneficiaries of the System with the specific approval of the appropriate legislative policy committees and approval of the general court. However, nothing precludes the appropriate legislative policy committees and the general court from adopting legislation that provides additional benefits in the event that the Special Account does not contain a 3-year, 5% COLA reserve.

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

The Special Account is credited annually with all of the earnings on an actuarial basis of the Special Account assets plus the earnings of the remaining assets of the 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 9.0% for the years ended June 30, 2004 and June 30, 2003, and therefore, earnings in excess of 9.5%, if any, have been credited to the Special Account.

As of June 30, 2004, the balance of the Special Account was $325.5 million. The comparable figure for June 30, 2003 was $362.0 million. Legislation costing $26.5 million that was enacted during the 2004 legislative session, with an effective date after June 30, 2004, 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 of the State, Group I Employees of political subdivisions, Group I Teachers and Group II members effective July 1, 2001, 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.

The fair value of the Group I and Group II Medical Special Account is $190.3 million and $159.7 million respectively, as of June 30, 2004.

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 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 biennially by the State Legislature. Administrative expenses are included in the System's financial statements.

Based on legislation effective July 1, 2001, the administrative costs incurred by the System are funded directly from net plan assets. Prior to July 1, 2001, administrative expenses were funded through an administrative assessment that was collected from participating employers based on a percentage of member gross wages.

Administrative expenses consist primarily of salaries and benefits for 56 full-time employees and the costs associated with operating and maintaining computer systems needed for pension and postretirement medical plan activities.

A detailed schedule of the budgeted and actual administrative expenditures for fiscal years 2004 and 2003 is shown on page 55.

CLICK HERE TO RETURN TO CONTENTS

Required Supplementary Information

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS—PENSION PLAN (UNAUDITED)

Fiscal Year	Classification	Annual Required Contribution (ARC)* (in thousands)	Percent of ARC Recognized as Contributions
2004	Employees	$48,222	100.00%
	Teachers	32,563	100.00%
	Police Officers	24,609	100.00%
	Firefighters	17,966	100.00%
2003	Employees	32,413	100.00%
	Teachers	31,032	100.00%
	Police Officers	16,454	100.00%
	Firefighters	8,359	100.00%
2002	Employees	29,703	100.00%
	Teachers	29,122	100.00%
	Police Officers	15,569	100.00%
	Firefighters	7,730	100.00%
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%

*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
2004	Employees	$16,194	100.00%
	Teachers	11,740	100.00%
	Police Officers	8,671	100.00%
	Firefighters	6,478	100.00%
2003	Employees	10,871	100.00%
	Teachers	10,423	100.00%
	Police Officers	5,281	100.00%
	Firefighters	2,730	100.00%
2002	Employees	8,456	100.00%
	Teachers	9,862	100.00%
	Police Officers	5,108	100.00%
	Firefighters	2,532	100.00%
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%

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

See Notes to Required Supplementary Information on next page.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (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 2004	June 30, 2001.
Actuarial Cost Method:	Open group aggregate. The open group aggregate funding method does not identify or separately amortize unfunded actuarial liabilities. The results of the open group aggregate method cannot be less than the normal rates required to maintain a funded ratio of 130% (effective with the June 30, 2001 and later actuarial valuations, the funded ratio is 115%) over a 20 year horizon and an 8% interest rate.
Asset Valuation Method:	5 year moving average.
Actuarial Assumptions:	
Investment Rate of Return	9% (Includes inflation at 3.5%).
Projected Salary Increases	Graded scale equates to an annual average of 6% (Includes inflation at 3.5%).
Cost of Living Adjustments	None.
Increase in Medical Premiums	8%.

CLICK HERE TO RETURN TO CONTENTS

COMMERCIAL REAL ESTATE INVESTMENTS BY TYPE

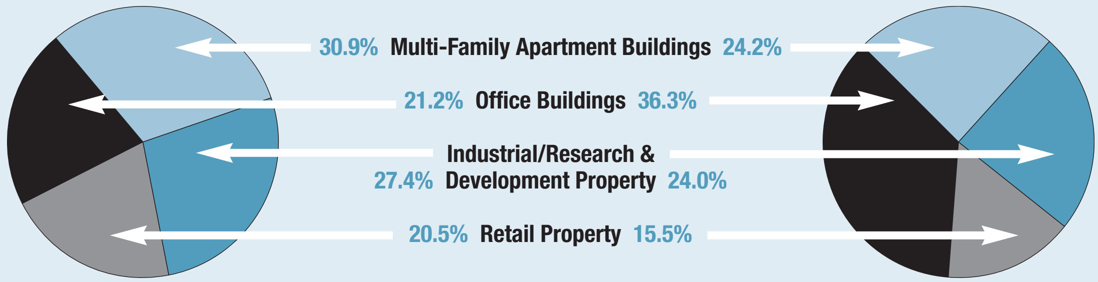
(in thousands)

	JUNE 30 2004	2003
Office Buildings	$ 66,990	$131,718
Multi-Family Apartment Buildings	97,411	87,966
Retail Property	64,614	56,490
Industrial/Research & Development Property	86,301	87,202
TOTAL COMMERCIAL REAL ESTATE INVESTMENTS BY TYPE	**$315,316**	**$363,376**

Property Type Diversification

At June 30, 2004

At June 30, 2003



COMMERCIAL REAL ESTATE INVESTMENTS BY LOCATION

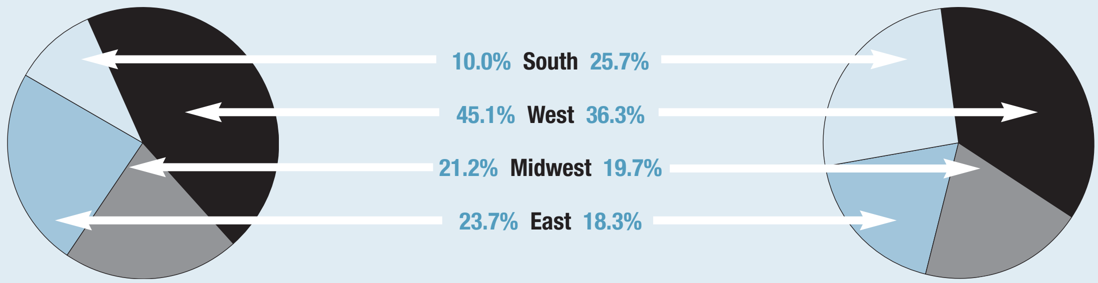
(in thousands)

	JUNE 30 2004	2003
West	$142,250	$131,934
East	74,710	66,700
South	31,631	93,314
Midwest	66,725	71,428
TOTAL COMMERCIAL REAL ESTATE INVESTMENTS BY LOCATION	**$315,316**	**$363,376**

Property Location Diversification

At June 30, 2004

At June 30, 2003



ALTERNATIVE INVESTMENTS	(in thousands)	
	JUNE 30	
	2004	2003
Venture Capital:		
Early Stage	$ 31,364	$ 40,314
Balanced Stage	99,409	100,599
Late Stage	5,349	4,325
Buyout Funds:		
Small Buyouts	18,643	8,369
Medium Buyouts	7,860	8,261
Large Buyouts	8,713	13,857
Natural Resources	4,664	5,680
Mezzanine Capital	1,550	3,629
Timberfunds:		
Domestic	20,297	20,851
International	73,329	66,770
Absolute Return Strategies	81,337	59,482
TOTAL ALTERNATIVE INVESTMENTS	**$352,515**	**$332,137**

CLICK HERE TO RETURN TO CONTENTS

CONTRIBUTIONS	(in thousands)	
	YEAR ENDED JUNE 30	
	2004	2003
CONTRIBUTIONS—PENSION PLAN		
EMPLOYER CONTRIBUTIONS:		
Employees	$ 32,263	$ 21,688
Teachers	13,521	13,427
Police Officers	12,030	8,565
Firefighters	7,520	3,789
TOTAL EMPLOYER CONTRIBUTIONS	**65,334**	**47,469**
STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS:		
Employees	—	—
Teachers	7,325	7,235
Police Officers	3,923	2,624
Firefighters	3,975	1,844
TOTAL STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS	**15,223**	**11,703**
PLAN MEMBER CONTRIBUTIONS:		
Employees	52,347	46,350
Teachers	47,458	44,104
Police Officers	20,743	19,233
Firefighters	8,539	7,725
TOTAL PLAN MEMBER CONTRIBUTIONS	**129,087**	**117,412**
POSTRETIREMENT MEDICAL PLAN CONTRIBUTIONS ON BEHALF OF EMPLOYERS:		
Employees	16,194	10,871
Teachers	11,740	10,423
Police Officers	8,671	5,281
Firefighters	6,478	2,730
TOTAL POSTRETIREMENT MEDICAL PLAN CONTRIBUTIONS ON BEHALF OF EMPLOYERS	**43,083**	**29,305**
TOTAL CONTRIBUTIONS—PENSION PLAN	**$252,727**	**$ 205,889**
CONTRIBUTIONS—POSTRETIREMENT MEDICAL PLAN		
EMPLOYER NORMAL:		
Employees	16,194	$ 10,871
Teachers	8,078	6,807
Police Officers	6,709	3,969
Firefighters	4,490	1,808
TOTAL EMPLOYER NORMAL CONTRIBUTIONS	**35,471**	**23,455**
STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS:		
Teachers	3,662	3,616
Police Officers	1,962	1,312
Firefighters	1,988	922
TOTAL STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS	**7,612**	**5,850**
TOTAL CONTRIBUTIONS—POSTRETIREMENT MEDICAL PLAN	**$ 43,083**	**$ 29,305**
TOTAL CONTRIBUTIONS	**$295,810**	**$ 235,194**

NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS

(in thousands)

	YEAR ENDED JUNE 30 2004	2003
Equity Investments:		
Domestic	$365,469	($77,509)
International	83,090	(33,270)
Fixed Income Investments:		
Domestic	(26,704)	47,144
Global	9,172	34,525
Commercial Real Estate	21,322	2,333
Alternative Investments:		
Venture Capital Funds	(13,999)	(34,803)
Buyout Funds	9,097	949
Mezzanine Funds	(380)	(752)
Natural Resource Funds	(471)	1,170
Timberfunds	6,648	(555)
Absolute Return Strategies	2,814	2,026
Temporary Investments	283	77
NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS	**$456,341**	**($58,665)**

CLICK HERE TO RETURN TO CONTENTS

INTEREST INCOME	(in thousands)	
	YEAR ENDED JUNE 30	
	2004	2003
Fixed Income Investments:		
Domestic	$42,994	$45,341
Global	8,627	11,036
Temporary Investments	345	411
Cash	104	130
Other	8	145
TOTAL INTEREST INCOME	**$52,078**	**$57,063**

DIVIDEND INCOME	(in thousands)	
	YEAR ENDED JUNE 30	
	2004	2003
Equity Investments:		
Domestic	$26,195	$25,488
International	9,346	8,423
TOTAL DIVIDEND INCOME	**$35,541**	**$33,911**

ALTERNATIVE INVESTMENT INCOME (LOSS)	(in thousands)	
	YEAR ENDED JUNE 30	
	2004	2003
Venture Capital Funds	($2,184)	($ 914)
Buyout Funds	2,143	1,174
Mezzanine Funds	123	494
Natural Resource Funds	153	10
Timberfunds	3,209	719
Absolute Return Strategies	2,876	2,940
TOTAL ALTERNATIVE INVESTMENT INCOME (LOSS)	**$6,320**	**$4,423**

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	
	2004	2003	2004	2003	2004	2003
Office Buildings	$26,156	$36,828	$15,055	$20,158	$11,101	$16,670
Multi-Family Apartment Buildings	19,141	22,553	12,801	14,653	6,340	7,900
Retail Property	9,055	9,283	4,666	4,824	4,389	4,459
Industrial/Research & Development Property	13,022	14,190	5,481	5,369	7,541	8,821
TOTAL	**$67,374**	**$82,854**	**$38,003**	**$45,004**	**$29,371**	**$37,850**

INVESTMENT ACTIVITY FEES AND OTHER INVESTMENT RELATED EXPENSES

(in thousands)

	YEAR ENDED JUNE 30	
	2004	2003
INVESTMENT ACTIVITY FEES:		
Equity Investments:		
Domestic	$ 8,468	$ 7,466
International	2,069	1,615
Fixed Income Investments:		
Domestic	2,026	1,872
Global	565	585
Alternative Investments:		
Venture Capital Funds	3,558	6,022
Buyout Funds	311	493
Mezzanine Funds	32	59
Natural Resource Funds	292	229
Timberfunds	584	641
Absolute Return Strategies	735	484
Commercial Real Estate	2,270	3,144
Custodial Fees	520	467
Investment Advisor Fees	337	325
TOTAL INVESTMENT ACTIVITY FEES	**21,767**	**23,402**
OTHER INVESTMENT RELATED EXPENSES:		
Securities Lending Borrower Rebates	2,931	4,801
Securities Lending Management Fees	389	439
TOTAL INVESTMENT ACTIVITY FEES AND OTHER INVESTMENT RELATED EXPENSES	**$25,087**	**$28,642**

CLICK HERE TO RETURN TO CONTENTS

BENEFITS	(in thousands)	
	YEAR ENDED JUNE 30	
	2004	2003
PENSION BENEFITS AND ADDITIONAL ALLOWANCES:		
Employees	$ 91,491	$ 83,762
Teachers	98,508	90,309
Police Officers	48,974	45,014
Firefighters	28,034	25,640
TOTAL PENSION BENEFITS AND ADDITIONAL ALLOWANCES	**$267,007**	**$244,725**
POSTRETIREMENT HEALTH INSURANCE PREMIUM SUBSIDY:		
Employees	$ 11,796	$ 10,164
Teachers	10,591	8,747
Police Officers	6,428	5,669
Firefighters	3,677	3,327
TOTAL POSTRETIREMENT HEALTH INSURANCE PREMIUM SUBSIDY	**$ 32,492**	**$ 27,907**
TOTAL BENEFITS	**$299,499**	**$272,632**

REFUNDS OF CONTRIBUTIONS	(in thousands)	
	YEAR ENDED JUNE 30	
	2004	2003
Employees	$ 8,345	$ 7,462
Teachers	5,448	4,746
Police Officers	2,882	2,474
Firefighters	106	541
TOTAL REFUNDS OF CONTRIBUTIONS	**$16,781**	**$15,223**

ADMINISTRATIVE EXPENSES

(in thousands)

	2004 EXPENSE	2004 BUDGET*	OVER (UNDER) BUDGET	2003 EXPENSE	2003 BUDGET*	OVER (UNDER) BUDGET
Salaries and Wages	$2,282	$2,200	$ 82	$1,909	$2,032	($123)
Fringe Benefits	972	953	19	834	945	(111)
Supplies, Utilities and Postage	314	542	(228)	319	485	(166)
Organizational Dues	7	7	—	6	6	—
Equipment	65	115	(50)	77	119	(42)
Travel	34	64	(30)	35	71	(36)
State Services	73	98	(25)	98	98	—
Office Rents and Expenses	240	436	(196)	211	232	(21)
Computer Support and System Development	1,366	2,971**	(1,605)	1,476**	3,675	(2,199)
Consulting	121	315	(194)	50	377	(327)
Unemployment Compensation	—	1	(1)	—	2	(2)
Workers Compensation	23	23	—	23	25	(2)
TOTAL	**$5,497**	**$7,725**	**($2,228)**	**$5,038**	**$8,067**	**($3,029)**

* 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.

** $2.4 million was capitalized during fiscal year 2004 and those costs are not reflected in the fiscal year 2004 expense. The comparable amount of computer support and system development costs capitalized in fiscal year 2003 was $2.1 million.

PROFESSIONAL FEES

(in thousands)

	YEAR ENDED JUNE 30 2004	2003
Actuarial Fees	$411	$514
Audit Fees	154	95
Legal Fees	133	52
TOTAL PROFESSIONAL FEES	**$698**	**$661**

CLICK HERE TO RETURN TO CONTENTS

MEMBERSHIP COMPOSITION

	JUNE 30 2004#	2003
ACTIVE CONTRIBUTING MEMBERS:		
Employees	26,521	26,371
Teachers	18,288	18,710
Police Officers	4,099	4,305
Firefighters	1,034	1,524
TOTAL ACTIVE CONTRIBUTING MEMBERS	**50,420***	**50,910***
RETIRED MEMBERS:		
Employees	9,428	9,092
Teachers	5,428	5,127
Police Officers	1,900	1,787
Firefighters	1,034	999
TOTAL RETIRED MEMBERS	**17,790****	**17,005****

Information estimated as there was no full actuarial valuation prepared as of June 30, 2004

* Excludes inactives.

** Excludes vested deferred members.

PAYMENTS FROM THE STATE GENERAL FUND (in thousands)

	YEAR ENDED JUNE 30 2004	2003
State Share of Normal Contributions for Local Employers	$22,835	$17,553
State Payments for Health Insurance for Retired State Members	20,206	18,879
TOTAL STATE GENERAL FUND PAYMENTS EXCLUSIVE OF NORMAL CONTRIBUTIONS FOR STATE MEMBERS	**$43,041**	**$36,432**

Investment Section

Investment Consultant's Report

EAI
Evaluation Associates LLC
A Milliman Company
200 Connecticut Avenue, Suite 700, Norwalk, CT 06854-1958 (203) 855-2200
FAX: (203) 855-2301

November 8, 2004

Board of Trustees
The New Hampshire Retirement System
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, 2004, the total net assets for the two plans were valued at approximately $4,391.3 million. This represents an increase of $489.6 million over the previous fiscal year. The increase in net assets represents realized and unrealized gains on investments, investment income and contributions reduced by deductions for benefit payments and investment expenses.

For the fiscal year ended June 30, 2004, there was $456.3 million net appreciation reported in the fair value of investments. The appreciation in investments, combined with investment income represented a 14.9% time-weighted return for the total fund for the fiscal year ended June 30, 2004.

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 2003.

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 3.1% of the total investments were invested in mortgage-backed securities and 0.2% in futures contracts. 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 1.5 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, 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

CLICK HERE TO RETURN TO CONTENTS

ANNUALIZED INVESTMENT RETURNS—ACTUAL VERSUS INDICES

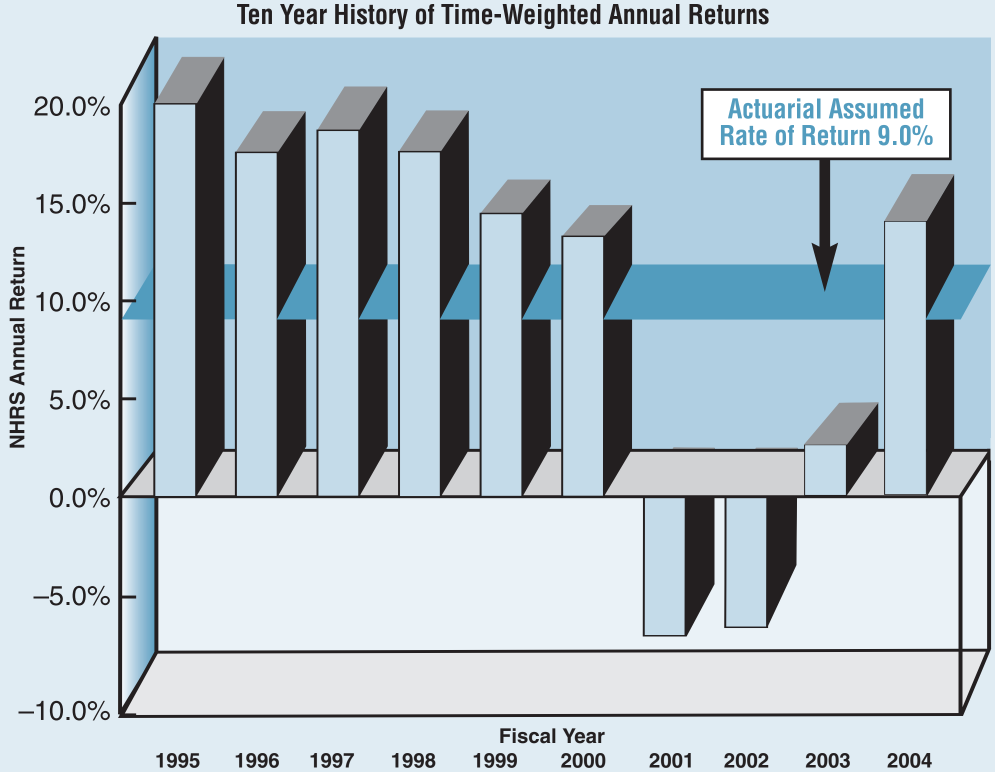
	Current Year 2004	Annualized 3 Year	Annualized 5 Year
Total NHRS Fund	14.9%	3.3%	2.8%
Consumer Price Index	3.2	2.0	2.6
Custom Index*	16.6	2.9	1.9
Total Equity Segment	22.5	0.4	–0.4
Russell 3000 Index	20.5	0.1	–1.1
MSCI ACWI (ex U.S.) Index	32.5	5.3	1.0
Total Fixed Income Segment	3.4	9.6	8.4
Lehman Brothers Universal Bond Index	1.0	6.7	7.1
J.P. Morgan Global Broad Bond Index	5.6	12.2	7.1
Commercial Real Estate Segment	15.5	10.7	10.4
NCREIF Property Index	10.8	8.0	9.4
Cash Equivalents Segment	1.4	1.9	3.4
ML 91 Day T-Bill Index	1.0	1.7	3.3
Alternative Investments Segment**	1.6	–12.4	–3.7

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 allocation in equity and fixed income securities.

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

Ten Year History of Time-Weighted Annual Returns

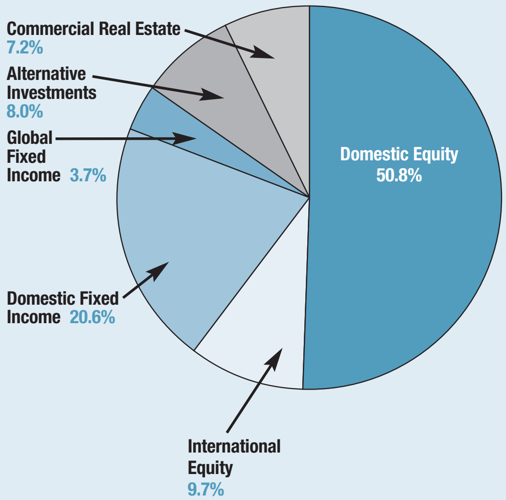


ACTUAL ASSET ALLOCATION VERSUS TARGET ASSET ALLOCATION

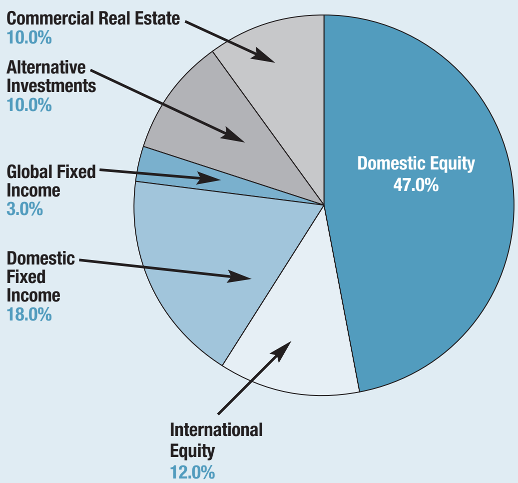
	Actual %	As of June 30, 2004 Target %*	Target Range %*
Domestic Equity	50.8 %	47.0 %	43–53
International Equity	9.7	12.0	9–15
Domestic Fixed Income	20.6	18.0	14–22
Global Fixed Income	3.7	3.0	0–5
Alternative Investments	8.0	10.0	5–12.5
Commercial Real Estate	7.2	10.0	5–12.5
TOTAL FUND	100.0 %	**100.0 %**	

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

Actual Asset Allocation as of June 30, 2004



Target Asset Allocation as of June 30, 2004



CLICK HERE TO RETURN TO CONTENTS

TEN LARGEST STOCK HOLDINGS BY FAIR VALUE*

(in thousands)

	Shares	Stock	June 30, 2004 Fair Value
1	1,516,292	Pfizer, Inc.	$51,979
2	1,042,013	Citigroup, Inc.	48,454
3	1,374,690	General Electric Corp.	44,540
4	468,707	Bank of America Corp.	39,662
5	1,345,800	Microsoft Corp.	38,436
6	832,750	Exxon Mobil Corp.	36,982
7	1,518,620	Cisco Systems Inc.	35,991
8	1,022,450	Cendant Corp.	25,030
9	853,700	Intel Corp.	23,562
10	433,350	Pepsico, Inc.	23,349

TEN LARGEST FIXED INCOME HOLDINGS BY FAIR VALUE*

(in thousands)

	Par	Security	June 30, 2004 Fair Value
1	17,300,000	U.S. Treasury Notes, 2.38%, Due 8/15/2006, Rated AAA	$17,152
2	11,650,000	U.S. Treasury Notes, 7.00%, Due 7/15/2006, Rated AAA	12,623
3	12,175,000	FNMA Bonds, 4.50%, Due 7/1/2019, Rated AAA	11,894
4	11,781,751	FHLMC Bonds, 6.00%, Due 8/15/2028, Rated AAA	11,762
5	11,105,000	FHLMC Bonds, 6.00%, Due 8/1/2034, Rated AAA	11,293
6	11,798,000	FNMA Bonds, 4.00%, Due 11/25/2018, Rated AAA	10,671
7	72,435,000**	Kingdom of Norway, 5.75%, Due 11/4/2030, Rated AAA	10,607
8	39,795,000**	Government of Poland, 5.75%, Due 6/8/2024, Rated A	10,145
9	9,867,000	FNMA Bonds, 4.75%, Due 2/21/2013, Rated AAA	9,524
10	7,065,000**	Republic of Italy, 5.50%, Due 1/11/2010, Rated AA	9,344

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

** Par value is denoted in local currency.

SCHEDULE OF INVESTMENT MANAGEMENT AND SERVICE FEES

	YEAR ENDED JUNE 30, 2004		
	Average of Assets Under Management (in thousands)	Fees (in thousands)	Basis Points
INVESTMENT MANAGEMENT FEES			
Equity Investments:			
Domestic	$2,225,347	$8,468	38
International	423,473	2,069	49
Fixed Income Investments:			
Domestic	866,360	2,026	23
Global	163,361	565	35
Alternative Investments:			
Venture Capital Funds*	136,122	3,558	89
Buyout Funds*	35,216	311	51
Mezzanine Funds*	1,550	32	32
Natural Resource Funds*	4,664	292	146
Timberfunds	93,626	584	62
Absolute Return Strategies	81,337	735	90
Commercial Real Estate	315,316	2,270	72
Temporary Investments	33,891	—	—
TOTAL INVESTMENT MANAGEMENT FEES	**$4,380,263**	**$20,910**	**48**
INVESTMENT SERVICE FEES			
Custodial Fees	$3,678,541	$520	1
Investment Advisor Fees	4,380,263	337	1
Security Lending Management Fees	576,260	389	7
TOTAL INVESTMENT MANAGEMENT AND SERVICE FEES	**$4,380,263**	**$22,156**	**51**

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

CLICK HERE TO RETURN TO CONTENTS

SCHEDULE OF BROKERAGE COMMISSIONS PAID

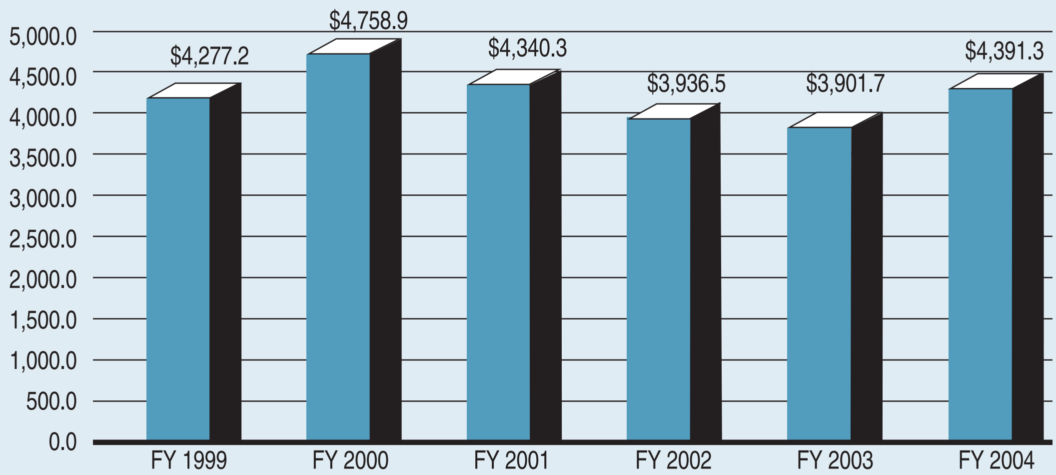
Brokerage Firm	Number of Shares Traded (in thousands)	Total Commissions (in thousands)	Commissions Per Share
	YEAR ENDED JUNE 30, 2004		
State Street Brokerage Services	30,726	$658	$0.02
Lynch, Jones and Ryan*	9,758	438	0.04
Bank of New York ESI Securities Company*	7,804	401	0.05
Broadcourt Capital Corporation	5,077	242	0.05
Merrill Lynch, Pierce, Fenner and Smith, Inc.	5,826	193	0.03
Union Bank of Switzerland AG	5,850	157	0.03
Abel/Noser Corporation *	6,949	155	0.02
Goldman Sachs and Company	3,015	151	0.05
Deutsche Bank AG	4,132	150	0.04
Wave Securities LLC	7,616	145	0.02
Citigroup Global Markets, Inc.	4,234	114	0.03
Credit Suisse First Boston Corporation	5,344	111	0.02
Fred M. Alger Asset Management Company	7,814	102	0.01
Morgan Stanley and Company, Inc.	3,756	94	0.03
Bear Stearns Securities Corporation	2,265	93	0.04
Lehman Brothers, Inc.	2,172	91	0.04
Jeffries and Company	1,954	80	0.04
Bridge Trading Company	1,261	60	0.05
J.P. Morgan Securities, Inc.	985	49	0.05
Prudential Equity Group	938	46	0.05
All Others (357 not listed separately)	73,337	1,448	0.02
TOTAL BROKERAGE COMMISSIONS PAID	**190,813**	**$4,978**	**$0.03**

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

SUMMARY OF INVESTMENTS

	June 30, 2004	
TYPE OF INVESTMENT	Fair Value (in millions)	Percent of Total Fair Value
FIXED INCOME		
BONDS		
Government and Agency Bonds	$ 571.8	13.1 %
Corporate Bonds	273.1	6.2
Asset Backed Bonds	32.5	0.7
Collateralized Mortgage Bond Obligations	53.8	1.2
Convertible Corporate Bonds	13.6	0.3
TOTAL BONDS	944.7	21.5
Commercial Paper	35.9	0.8
Preferred Stock	3.0	0.1
Convertible Preferred Stock	1.1	0.1
TOTAL FIXED INCOME	**984.7**	**22.5**
EQUITY		
COMMON STOCKS		
Consumer Discretionary	369.0	8.4
Consumer Staples	204.3	4.7
Energy	178.2	4.1
Financial Services	546.6	12.4
Health Care	349.9	8.0
Industrials	294.1	6.7
Information Technology	416.3	9.5
Materials	113.8	2.6
Telecommunication Services	64.2	1.5
Utilities	65.1	1.5
TOTAL EQUITY	**2,601.5**	**59.4**
OTHER INVESTMENTS		
Alternative Investments	352.5	8.0
Commercial Real Estate	315.3	7.2
Pooled Short Term Investment Funds	126.2	2.9
TOTAL INVESTMENTS	**$4,380.3**	**100.0 %**

Net Assets Held In Trust For Benefits
(in millions)



CLICK HERE TO RETURN TO CONTENTS

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Actuarial Section

ACTUARIAL CERTIFICATION

Mellon Human Resources & Investor Solutions

November 8, 2004

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 115% with valuations performed on and after June 30, 2001. We believe that the contribution levels determined in the valuation satisfy these objectives.

The June 30, 1999 valuation determined the contributions of the System for the fiscal years ended June 30, 2002 and June 30, 2003. The contributions for the fiscal years ending June 30, 2004 and June 30, 2005 were determined based on the June 30, 2001 valuation of the System. We have completed the June 30, 2003 actuarial valuation of the NHRS.We have also prepared a June 30, 2004 interim valuation of the system. The Board of Trustees approved in September, 2004 this interim June 30, 2004 valuation which will be used to determine the funding contributions for the fiscal years ending June 30, 2006 and June 30, 2007.

The June 30, 2003 valuation reflects the following financially significant changes in the benefit structure:

- Employees, Teachers and Police Officers retired prior to July 1, 2003 received a 1.0% COLA and Firefighters retired prior to July 1, 2003 received a 2.5% COLA effective July 1, 2004.
- Employees, Teachers and Police Officers retired prior to July 1, 2002 received a 2.0% COLA and Teachers and Firefighters retired prior to July 1, 2002 received a 3.5% COLA effective July 1, 2003.

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 2004, which have been determined in the June 30, 2001 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 for fiscal years prior to July 1, 2003 not be less than the rates using target funding with a fund-

The Board of Trustees
November 8, 2004
Page 2

ing goal of 130% over a 20 year horizon and an 8% interest rate and that the minimum contribution rate for fiscal years beginning on or after July 1, 2003 and ending June 30, 2005 not be less than the rate using target funding goal of 115% over a 20 year horizon and an 8% interest rate. In addition, the Board of Trustees in September, 2004 recommended that for fiscal years beginning on or after July 1, 2005 that the minimum normal contribution rate not be less than the rate using target funding with a funding goal of 115% over a 30 year horizon and an 8% interest rate. As a result, the contribution levels are sufficient to attain the Board of Trustee's minimum funding goal with a 50% probability.

The disclosure information as of June 30, 2004 and June 30, 2003 are based on the demographic data used in the June 30, 2003 valuation and on the interest assumption of 9% which was used in the June 30, 2001 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. However, the actuarial value of assets cannot be lower than the five-year average value. The underlying demographic data is maintained and provided by the NHRS office. The data is analyzed by Mellon for internal completeness and consistency and compared with the prior valuation data to again ensure consistency.

Mellon 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, the membership composition table and the schedule of contributions from employees and other contributing entities shown in the financial section. Mellon 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,

Mellon Consultants, LLC

Janet H. Cranna, M.A.A.A., F.S.A., F.C.A., E.A., M.S.P.A.
Principal, Consulting Actuary

Dana E. Spahgher M.A.A.A., A.S.A., E.A., M.S.P.A.
Director, Consulting Attorney

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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. For fiscal years prior to July 1, 2003, the normal rates can not be less than the normal rates required to maintain a funded ratio of 130% over a 20 year horizon and an 8% interest rate. However, for fiscal years beginning on and after July 1, 2003 and ending June 30, 2005, the normal rates cannot be less than the normal rates required to maintain a funded ratio of 115% over a 20 year horizon and an 8% interest rate. For fiscal years on or after July 1, 2005, the normal contribution rates cannot be less than the normal rates required to maintain a funded ratio of 115% over a 30 year horizon and an 8% interest rate. This method does not identify or separately amortize unfunded actuarial liabilities.

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, 2004 and June 30, 2003 is on the following pages.

The liabilities used in the funded ratio have been determined on two bases: the projected unit credit actuarial cost basis and the unit credit actuarial cost basis. The liability determined using the projected unit credit actuarial cost basis 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 liability determined using the unit credit actuarial cost basis is based on services performed to date and the compensation earned to date.

The information presented as of June 30, 2004 is based on the June 30, 2003 actuarial valuation of the System projected to June 30, 2004. The information presented as of June 30, 2003 is based on the June 30, 2003 actuarial valuation of the System.

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.

The significant actuarial assumptions used in the funded ratio determination are summarized below:

- The present value of future pension payments was computed by using a discount rate of 9.0% for 2004 and 2003. 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, 2004 and 2003 reflect an average annual salary increase among the four classifications of 6.0%. (Each classification uses its own salary increase assumption.) This includes a 3.0% inflation and 3.0% 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.

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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, 2004 AND JUNE 30, 2003

(in thousands)

	ALL GROUPS 2004	ALL GROUPS 2003	EMPLOYEES 2004
A. Projected Liability			
1. Retirees & Beneficiaries Currently Receiving Benefits & Terminated Employees Not Yet Entitled	$2,343,704	$2,145,796	$ 762,069
2. Current Employees			
a. Accumulated Employee Contributions With Interest	1,864,275	1,754,619	643,680
b. Employer Financed	821,898	768,777	243,453
3. Total Pension Liabilities	**$5,029,877**	**$4,669,192**	**$1,649,202**
% of Total Pension Liabilities	**100.00%**	**100.00%**	**32.79%**
FUNDING STATUS AT FAIR VALUE OF ASSETS			
B. Net Assets			
Fair Value of Assets	$4,391,286	$3,901,681	$1,329,831
Less: Undesignated Special Account	325,510**	361,985*	101,238**
Less: Account for Medical Insurance Subsidy	441,936	415,046	100,043
Net Fair Value of Assets Held in Trust for Benefits	**$3,623,840**	**$3,124,650**	**$1,128,550**
% of Net Fair Value of Assets Held in Trust for Benefits	**100.00%**	**100.00%**	**31.14%**
C. Unfunded Pension Liability	**$1,406,037**	**$1,544,542**	**$ 520,652**
Percent Funded	**72.05%**	**66.92%**	**68.43%**
Payroll	$1,958,586	$1,872,879	$ 842,029
Unfunded (Excess)/Payroll	71.79%	82.47%	61.83%
FUNDING STATUS AT ACTUARIAL VALUE OF ASSETS			
D. Net Assets			
Actuarial Value	$3,901,151	$3,862,022	$1.216.559
Less: Special Account	325,510**	361,985*	101,238**
Net Assets Held in Trust for Benefits	**$3,575,641**	**$3,500,037**	**$1,115,321**
E. Unfunded Pension Liability	**$1,454,236**	**$1,169,155**	**$ 533,881**
Percent Funded	**71.09%**	**74.96%**	**67.62%**
Payroll	$1,958,586	$1,872,879	$ 842,029
Unfunded (Excess)/Payroll	74.25%	62.43%	63.40%

FUNDING STATUS BASED ON NHRS BOARD OF TRUSTEES OBJECTIVES BY MEMBER GROUP AT JUNE 30, 2004 AND JUNE 30, 2003

(in thousands)

	ALL GROUPS 2004	ALL GROUPS 2003	EMPLOYEES 2004
Vested Benefits			
Participants Currently Receiving Benefits	$2,320,071	$2,123,689	$ 750,839
Other Participants	2,186,484	2,036,552	717,495
Total Vested Benefits	$4,506,555	$4,160,241	$1,468,334
Nonvested Benefits	47,053	41,454	13,445
Total Pension Liabilities	**$4,553,608**	**$4,201,695**	**$1,481,779**
% of Total Pension Liabilities	**100.00%**	**100.00%**	**32.54%**
Fair Value of Assets	$4,391,286	$3,901,681	$1,329,831
Less: Undesignated Special Account	325,510**	361,985*	101,238**
Less: Account for Medical Insurance Subsidy	441,936	415,046	100,043
Net Fair Value of Assets Held in Trust for Benefits	**$3,623,840**	**$3,124,650**	**$1,128,550**
% of Net Fair Value of Assets Held in Trust for Benefits	**100.00%**	**100.00%**	**31.14%**
Funding Ratio for Pension Liability	**79.58%**	**74.37%**	**76.16%**
Actuarial Present Value of Postretirement Medical Liabilities			
Active	$ 262,389	$ 240,045	$ 29,148
Retired	468,632	461,363	139,693
Total Actuarial Present Value of Postretirement Medical Liabilities	$ 731,021	$ 701,408	$ 168,841
Total Actuarial Present Value of Accrued Benefits	$5,284,629	$4,903,103	$1,650,620
Fair Value of Assets Held in Trust for Benefits	$4,065,776	$3,539,696	$1,228,593
Overall Funded Ratio	**76.94%**	**72.19%**	74.43%

NOTE: Liabilities for 2004 and 2003 based on 9% interest.

*Reflects legislation effective on or before June 30, 2003.

**Reflects legislation effective on or before June 30, 2004.

EMPLOYEES 2003	TEACHERS 2004	TEACHERS 2003	POLICE OFFICERS 2004	POLICE OFFICERS 2003	FIREFIGHTERS 2004	FIREFIGHTERS 2003
$ 695,470	$ 840,033	$ 763,973	$ 478,828	$ 444,651	$ 262,774	$ 241,702
613,838	823,534	771,525	263,985	245,172	133,076	124,084
223,131	301,660	291,060	177,640	161,971	99,145	92,615
$1,532,439	**$1,965,227**	**$1,826,558**	**$ 920,453**	**$ 851,794**	**$ 494,995**	**$ 458,401**
32.82%	**39.07%**	**39.12%**	**18.30%**	**18.24%**	**9.84%**	**9.82%**
$1,172,607	$1,736,769	$1,553,197	$ 882,616	$ 784,117	$ 442,070	$ 391,760
111,699*	126,471**	137,374*	49,199**	57,283*	48,602**	55,629*
98,455	109,561	105,658	150,385	136,343	81,946	74,590
$ 962,453	**$1,500,736**	**$1,310,165**	**$ 683,032**	**$ 590,491**	**$ 311,522**	**$ 261,541**
30.80%	**41.41%**	**41.93%**	**18.85%**	**18.90%**	**8.60%**	**8.37%**
$ 569,986	**$ 464,491**	**$ 516,393**	**$ 237,421**	**$ 261,303**	**$ 183,473**	**$ 196,860**
62.81%	**76.36%**	**71.73%**	**74.21%**	**69.32%**	**62.93%**	**57.06%**
$ 798,241	$ 826,822	$ 799,544	$ 206,652	$ 196,022	$ 83,083	$ 79,072
71.41%	56.18%	64.59%	114.89%	133.30%	220.83%	248.96%
$1,192,253	$1,594,678	$1,589,887	$ 719,057	$ 713,437	$ 370,857	$ 366,445
111,699*	126,471**	137,374*	49,199**	57,283*	48,602**	55,629*
$1,080,554	**$1,468,207**	**$1,452,513**	**$ 669,858**	**$ 656,154**	**$ 322,255**	**$ 310,816**
$ 451,885	**$ 497,020**	**$ 374,045**	**$ 250,595**	**$ 195,640**	**$ 172,740**	**$ 147,585**
70.51%	**74.71%**	**79.52%**	**72.77%**	**77.03%**	**65.10%**	**67.80%**
$ 798,241	$ 826,822	$ 799,544	$ 206,652	$ 196,022	$ 83,083	$ 79,072
56.61%	60.11%	46.78%	121.26%	99.81%	207.91%	186.65%
$ 684,995	$ 828,111	$ 752,787	$ 478,420	$ 444,271	$ 262,701	$ 241,636
681,236	992,732	918,686	311,849	285,640	164,408	150,990
$1,366,231	$1,820,843	$1,671,473	$ 790,269	$ 729,911	$ 427,109	$ 392,626
11,512	6,640	5,456	18,979	17,265	7,989	7,221
$1,377,743	**$1,827,483**	**$1,676,929**	**$ 809,248**	**$ 747,176**	**$ 435,098**	**$ 399,847**
32.79%	**40.13%**	**39.91%**	**17.77%**	**17.78%**	**9.56%**	**9.52%**
$1,172,607	$1,736,769	$1,553,197	$ 882,616	$ 784,117	$ 442,070	$ 391,760
111,699	126,471**	137,374*	49,199**	57,283*	48,602**	55,629*
98,455	190,562	105,658	150,385	136,343	81,946	74,590
$ 962,453	**$1,500,736**	**$1,310,165**	**$ 683,032**	**$ 590,491**	**$ 311,522**	**$ 261,541**
30.80%	**41.41%**	**41.93%**	**18.85%**	**18.90%**	**8.60%**	**8.37%**
69.86%	**92.12%**	**78.13%**	**84.40%**	**79.03%**	**71.60%**	**65.41%**
$ 27,177	$ 74,479	$ 68,651	$ 105,652**	$ 95,918	$ 53,110**	$ 48,299
138,510	182,951	179,798	93,504	91,657	52,484	51,398
$ 165,687	$ 257,430	$ 248,449	$ 199,156	$ 187,575	$ 105,594	$ 99,697
$1,543,430	$2,084,913	$1,925,378	$1,008,404	$ 934,751	$ 504,692	$ 499,544
$1,060,908	$1,610,298	$1,415,823	$ 833,417	$ 726,834	$ 393,468	$ 336,131
68.74%	**77.24%**	**73.53%**	**82.65%**	**77.76%**	**72.77%**	**67.29%**

CLICK HERE TO RETURN TO CONTENTS

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

(in thousands)

	Total 2004	Total 2003	Employees 2004	Employees 2003	Teachers 2004	Teachers 2003	Police Officers 2004	Police Officers 2003	Firefighters 2004	Firefighters 2003
Postretirement Medical Liability										
Active	$262,389	$240,045	$ 29,148	$ 27,177	$ 74,479	$ 68,651	$105,562	$ 95,918	$ 53,110	$48,299
Retired	468,632	461,363	139,693	138,510	182,951	179,798	93,504	91,657	52,484	51,398
Total Postretirement Medical Liability	**$731,021**	**$701,408**	**$168,841**	**$165,687**	**$257,430**	**$248,449**	**$199,156**	**$187,575**	**$105,594**	**$99,697**
Fair Value of Net Assets										
401(h) Subtrust	$ 91,922	$ 70,874	$ 7,261	$ 2,285	$ 12,068	$ 9,680	$ 43,297	$ 35,829	$ 29,296	$23,080
Medical Special Account	350,014	344,172	92,782	96,170	97,494	95,978	107,088	100,514	52,650	51,510
Fair Value of Net Assets Held in Trust for Benefits for Postretirement Medical Premiums	$441,936	$415,406	$100,043	$ 98,455	$109,562	$105,658	$150,385	$136,343	$ 81,946	$74,590
Funded Ratio	**60.45%**	**59.17%**	**59.25%**	**59.42%**	**42.56%**	**42.53%**	**75.51%**	**72.69%**	**77.60%**	**74.82%**

FUNDING PROGRESS BASED ON NHRS BOARD OF TRUSTEES OBJECTIVES

TOTAL OF ALL GROUPS

(dollars in thousands)

Valuation Date	6/30/03	6/30/01	6/30/99	6/30/97	6/30/95	6/30/93
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	$2,123,689	$1,675,941	$ 1,464,941	$1,172,285	$ 933,696	$ 684,862
Other Participants	$2,036,552	$1,735,410	$ 1,421,842	$1,201,724	$ 942,436	$ 745,789
Total Vested	$4,160,241	$3,411,351	$ 2,886,783	$2,374,009	$1,876,132	$1,430,651
Nonvested Benefits	$ 41,454	$ 34,105	$ 29,276	$ 29,054	$ 42,869	$ 26,627
Total Pension Liabilities	$4,201,695	**$3,445,456**	**$ 2,916,059**	**$2,403,063**	**$1,919,001**	**$1,457,278**
Fair Value of Net Assets for Pension Liabilities*	**$3,124,650**	**$3,388,819**	**$3,552,061**	**$2,941,505**	**$2,303,656**	**$1,886,365**
Funded Ratio for Pension Liabilities	**74.4%**	**98.4%**	**121.8%**	**122.4%**	**120.0%**	**129.4%**
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	$ 240,045	$ 157,706	$ 115,110	$ 66,565	$ 51,155	$ 41,808
Retired	$ 461,363	$ 272,067	$ 146,510	$ 56,781	$ 45,597	$ 34,794
Total	$ 701,408	$ 429,773	$ 261,620	$ 123,346	$ 96,752	$ 76,602
Total Actuarial Present Value of Accrued Benefits	**$4,903,103**	**$3,875,229**	**$ 3,177,679**	**$2,526,409**	**$2,015,753**	**$1,533,880**
Fair Value of Net Assets Held in Trust for Benefits*	**$3,539,696**	**$3,724,897**	**$ 3,842,282**	**$3,060,837**	**$2,397,098**	**$1,967,511**
Overall Funded Ratio	**72.2%**	**96.1%**	**120.9%**	**121.2%**	**118.9%**	**128.3%**

* Excludes the Special Account but includes the Special Reserve.

NOTE: The pension liabilities are 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	6/30/03	6/30/01	6/30/99	6/30/97	6/30/95	6/30/93
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	$ 684,995	$ 561,718	$ 501,219	$ 418,829	$ 348,292	$ 271,847
Other Participants	$ 681,236	$ 564,196	$ 467,386	$ 391,813	$ 312,642	$ 243,102
Total Vested	$1,366,231	$1,125,914	$ 968,605	$ 810,642	$ 660,934	$ 514,949
Nonvested Benefits	$ 11,512	$ 9,523	$ 4,623	$ 5,617	$ 7,363	$ 13,222
Total Pension Liabilities	**$1,377,743**	**$1,135,437**	**$ 973,228**	**$816,259**	**$668,297**	**$528,171**
Fair Value of Net Assets for Pension Liabilities*	**$ 962,453**	**$1,033,867**	**$1,100,451**	**$914,804**	**$731,764**	**$606,785**
Funded Ratio for Pension Liabilities	**69.9%**	**91.1%**	**113.1%**	**112.1%**	**109.5%**	**114.9%**
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	$ 27,177	$ 7,128	—	—	—	—
Retired	$ 138,510	$ 37,144	—	—	—	—
Total	$ 165,687	$ 44,272	—	—	—	—
Total Actuarial Present Value of Accrued Benefits	**$1,543,430**	**$1,179,709**	**$ 973,228**	**$816,259**	**$668,297**	**$528,171**
Fair Value of Net Assets Held in Trust for Benefits *	**$1,060,908**	**$1,067,745**	**$1,100,451**	**$914,804**	**$731,764**	**$606,785**
Overall Funded Ratio	**68.7%**	**90.5%**	**113.1%**	**112.1%**	**109.5%**	**114.9%**

TEACHERS

(dollars in thousands)

Valuation Date	6/30/03	6/30/01	6/30/99	6/30/97	6/30/95	6/30/93
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	$ 752,787	$ 578,020	$ 528,764	$ 417,390	$ 316,379	$ 211,850
Other Participants	$ 918,686	$ 790,462	$ 632,295	$ 530,948	$ 407,642	$ 321,365
Total Vested	$1,671,473	$1,368,482	$ 1,161,059	$ 948,338	$ 724,021	$ 533,215
Nonvested Benefits	$ 5,456	$ 3,583	$ 1,202	$ 2,156	$ 11,976	$ 5,069
Total Pension Liabilities	**$1,676,929**	**$1,372,065**	**$ 1,162,261**	**$ 950,494**	**$735,997**	**$538,284**
Fair Value of Net Assets for Pension Liabilities*	**$1,310,165**	**$1,418,897**	**$ 1,468,773**	**$1,196,062**	**$ 910,976**	**$ 738,395**
Funded Ratio for Pension Liabilities	**78.1%**	**103.4%**	**126.4%**	**125.8%**	**123.8%**	**137.2%**
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	$ 68,651	$ 30,406	$ 20,567	—	—	—
Retired	$ 179,798	$ 127,929	$ 68,553	—	—	—
Total	$ 248,449	$ 158,335	$ 89,120	—	—	—
Total Actuarial Present Value of Accrued Benefits	**$1,925,378**	**$1,530,400**	**$ 1,251,381**	**$ 950,494**	**$735,997**	**$538,284**
Fair Value of Net Assets Held in Trust for Benefits*	**$1,415,823**	**$1,514,217**	**$1,557,873**	**$1,196,062**	**$910,976**	**$738,395**
Overall Funded Ratio	**73.5%**	**98.9%**	**124.5%**	**125.8%**	**123.8%**	**137.2%**

* Excludes the Special Account but includes the Special Reserve.

NOTE: The pension liabilities are the actuarial present value of benefits based on service and salary as of the valuation date.

CLICK HERE TO RETURN TO CONTENTS

FUNDING PROGRESS BASED ON NHRS BOARD OF TRUSTEES OBJECTIVES

POLICE OFFICERS

(dollars in thousands)

Valuation Date	6/30/03	6/30/01	6/30/99	6/30/97	6/30/95	6/30/93
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	$ 444,271	$ 352,193	$ 291,465	$ 223,626	$ 179,281	$ 125,635
Other Participants	$ 285,640	$ 246,491	$ 208,066	$ 182,046	$ 139,379	$ 115,721
Total Vested	$ 729,911	$ 598,684	$ 499,531	$ 405,672	$ 318,660	$ 241,356
Nonvested Benefits	$ 17,265	$ 14,629	$ 15,542	$ 14,042	$ 14,074	$ 5,559
Total Pension Liabilities	**$ 747,176**	**$ 613,313**	**$ 515,073**	**$ 419,714**	**$ 332,734**	**$ 246,915**
Fair Value of Net Assets for Pension Liabilities*	**$ 590,491**	**$ 643,767**	**$ 671,770**	**$ 564,654**	**$ 443,080**	**$ 363,770**
Funded Ratio for Pension Liabilities	**79.0%**	**105.0%**	**130.4%**	**134.5%**	**133.2%**	**147.3%**
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	$ 95,918	$ 78,171	$ 61,590	$ 42,075	$ 29,302	$ 24,461
Retired	$ 91,657	$ 68,970	$ 51,930	$ 37,015	$ 29,639	$ 21,493
Total	$ 187,575	$ 147,141	$ 113,520	$ 79,090	$ 58,941	$ 45,954
Total Actuarial Present Value of Accrued Benefits	**$ 934,751**	**$ 760,454**	**$ 628,593**	**$ 498,804**	**$ 391,675**	**$ 292,869**
Fair Value of Net Assets Held in Trust for Benefits *	**$ 726,834**	**$ 773,740**	**$796,961**	**$ 633,105**	**$ 497,333**	**$ 410,530**
Overall Funded Ratio	**77.8%**	**101.8%**	**126.8%**	**126.9%**	**127.0%**	**140.2%**

FIREFIGHTERS

(dollars in thousands)

Valuation Date	6/30/03	6/30/01	6/30/99	6/30/97	6/30/95	6/30/93
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	$ 241,636	$ 184,010	$ 143,493	$ 112,440	$ 89,744	$ 75,530
Other Participants	$ 150,990	$ 134,261	$ 114,095	$ 96,917	$ 82,773	$ 65,601
Total Vested	$ 392,626	$ 318,271	$ 257,588	$ 209,357	$ 172,517	$ 141,131
Nonvested Benefits	$ 7,221	$ 6,370	$ 7,909	$ 7,239	$ 9,456	$ 2,777
Total Pension Liabilities	**$ 399,847**	**$ 324,641**	**$ 265,497**	**$216,596**	**$181,973**	**$ 143,908**
Fair Value of Net Assets for Pension Liabilities*	**$ 261,541**	**$ 292,288**	**$ 311,069**	**$ 265,984**	**$ 217,836**	**$ 177,415**
Funded Ratio for Pension Liabilities	**65.4%**	**90.0%**	**117.2%**	**122.8%**	**119.7%**	**123.3%**
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	$ 48,299	$ 42,001	$ 32,953	$ 24,490	$ 21,853	$ 17,347
Retired	$ 51,398	$ 38,024	$ 26,027	$ 19,766	$ 15,958	$ 13,301
Total	$ 99,697	$ 80,025	$ 58,980	$ 44,256	$ 37,811	$ 30,648
Total Actuarial Present Value of Accrued Benefits	**$ 499,544**	**$ 404,666**	**$ 324,477**	**$260,852**	**$ 219,784**	**$ 174,556**
Fair Value of Net Assets Held in Trust for Benefits*	**$ 366,131**	**$ 369,195**	**$ 386,998**	**$ 316,865**	**$ 257,025**	**$ 211,801**
Overall Funded Ratio	**67.3%**	**91.2%**	**119.3%**	**121.5%**	**116.9%**	**121.3%**

* Excludes the Special Account but includes the Special Reserve.

NOTE: The pension liabilities are 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 postretirement mortality assumptions for Firefighters effective with the June 30, 1999 valuation that were 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. The Board of Trustees adopted revised assumptions effective with the June 30, 2001 valuation which were used to determine contributions for the fiscal years ending June 30, 2004 and June 30, 2005.

GROUP I—EMPLOYEES

INTEREST RATE: 9% per annum, compounded annually.
9% per annum, compounded annually on employee contributions
(includes a 3.5% 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	10.00%	11.00%	.06%	.02%	.03%	.02%
30	9.00	9.00	.06	.02	.03	.05
35	7.00	7.00	.06	.02	.04	.10
40	5.00	6.00	.06	.03	.10	.10
45	5.00	5.00	.10	.04	.20	.15
50	5.00	5.00	.15	.05	.30	.20
55	5.00	4.00	.20	.25	.35	.20
59	5.00	4.00	.28	.33	.35	.24

#Withdrawal rates for the first two years of employment are multiplied by 2.0.
*98% are assumed to be ordinary death and 2% are assumed to be accidental death.
**50% are assumed to be ordinary disability and 50% are assumed to be accidental disability.

	Annual Rate of			
	Early Retirement		Normal Retirement	
Age	Men	Women	Men	Women
55	3.50%	4.00%	—	—
58	6.20	7.66	—	—
61	—	—	13.00%	12.00%
64	—	—	22.00	18.00
67	—	—	25.00	20.00
70	—	—	100.00	100.00

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

Age	Annual Rate of Salary Increases
25	13.75%
30	9.25
35	8.25
40	6.85
45	6.65
50	6.45
55	6.25
60	6.05
64	5.89

CLICK HERE TO RETURN TO CONTENTS

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. Gains and losses are spread over the average future careers of both current and future active members. If the funded ratio is less than 115%, the minimum normal contribution rate shall not be less than the rate determined using the target funding method with a funding goal of 115% over a 20 year horizon and an 8% interest rate.

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. Of the married members 80% are assumed to elect spousal coverage for postretirement coverage.

SEVERANCE PAY: The valuation recognizes 100% of the effect of severance pay.

EXPENSES: None.

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	2001 Compensation Level*	Percent	2001 Compensation Level*
20	5.0%	$ 18,000	5.0%	$ 14,000
25	10.0	21,000	15.0	18,000
30	15.0	25,000	15.0	19,000
35	15.0	26,000	15.0	20,000
40	15.0	26,000	15.0	20,000
45	15.0	27,000	15.0	20,000
50	10.0	27,000	10.0	21,000
55	10.0	27,000	5.0	21,500
60	5.0	27,000	5.0	21,000

* Increases at 5.0% per annum.

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 3.5% 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%	.03%	.01%	.01%
30	5.00	5.00	.06	.03	.01	.01
35	4.00	5.00	.06	.03	.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	.15	.20	.01

Withdrawal rates for first year of employment are multiplied by 3.0 and for second year of employment are multiplied by 2.0. In addition, we assume for postretirement medical coverage that 80% of the deferred vested terminations will elect to receive a return of member contributions in lieu of an allowance.
* 98% are assumed to be ordinary death and 2% are assumed to be accidental death.
** 92% are assumed to be ordinary disability and 8% are assumed to be accidental disability.

	Annual Rate of			
Age	Early Retirement		Normal Retirement	
	Men	Women	Men	Women
55	5.00%	5.00%	—	—
58	11.00	14.00	—	—
61	—	—	17.00%	22.00%
64	—	—	23.00	28.00
67	—	—	26.00	32.00
70	—	—	100.00	100.00

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

Age	Annual Rate of Salary Increases
25	8.50%
30	6.50
35	5.75
40	5.00
45	4.25
50	4.00
55	3.75
60	3.50
64	3.50

DEATHS AFTER RETIREMENT: According to the 1995 Buck Mortality Table set back 1 year for men and women. A special mortality table was used for the period after disability retirement.

	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

CLICK HERE TO RETURN TO CONTENTS

VALUATION METHOD: Open group aggregate. Gains and losses are spread over the average future careers of both current and future active members. If the funded ratio is less than 115%, the minimum normal contribution rate shall not be less than the rate determined using the target funding method with a funding goal of 115% over a 20 year horizon and an 8% interest rate.

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. Of the married members 80% are assumed to elect spousal coverage for postretirement coverage.

SEVERANCE PAY: The valuation recognizes 100% of the effect of severance pay.

EXPENSES: None.

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: Increasing 1% per year until 2006 and constant thereafter.

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

	Male		Female	
Age	Percent	2001 Compensation Level*	Percent	2001 Compensation Level*
25	25.0%	$ 29,000	30.0%	$ 29,000
30	20.0	31,000	20.0	30,000
35	15.0	32,000	10.0	31,000
40	15.0	35,000	10.0	33,000
45	10.0	36,000	15.0	34,000
50	10.0	39,000	10.0	36,000
55	5.0	42,000	5.0	36,000

*Increases at 5.0% per annum.

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 3.5% 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					
Age	Withdrawal and Vesting	Death Ordinary	Death Accidental	Disability Ordinary	Disability Accidental	Retirement
25	6.00%	.05%	.01%	.01%	.01%	—
30	5.00	.06	.01	.02	.01	—
35	4.00	.07	.01	.02	.15	—
40	3.00	.10	.01	.06	.20	—
45	3.00	.14	.01	.24	.25	20.00%
50	3.00	.16	.01	.20	.30	22.08
55	2.00	.24	.01	.36	.35	24.17
60	2.00	.30	.01	1.38	.40	26.25
64	—	.40	.01	2.19	.40	27.92
67	—	—	—	—	—	29.17
70	—	—	—	—	—	100.00

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

Age	Annual Rate of Salary Increases
25	13.25%
30	8.75
35	7.50
40	6.25
45	6.25
50	6.25
55	6.25
60	6.25
64	6.25

DEATHS AFTER RETIREMENT: According to the 1995 George B. 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. Gains and losses are spread over the average future careers of both current and future active members. If the funded ratio is less than 115%, the minimum normal contribution rate shall not be less than the rate determined using the target funding method with a funding goal of 115% over a 20 year horizon and an 8% interest rate.

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 100% of the effect of severance pay.

EXPENSES: None.

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	1999 Compensation Level*
20	5.0%	$27,000
25	30.0	30,000
30	25.0	32,000
35	15.0	32,000
40	10.0	32,000
45	5.0	33,000
50	5.0	36,000
55	5.0	32,000

*Increases at 5.0% per annum.

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 3.5% 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	1.00%	.04%	.02%	.02%	.05%	—
30	1.00	.04	.02	.02	.07	—
35	1.00	.05	.02	.02	.09	—
40	1.00	.07	.02	.02	.20	—
45	1.00	.10	.02	.02	.25	15.00%
50	1.00	.11	.02	.02	.30	15.00
55	1.00	.17	.02	.02	.35	25.00
60	—	.21	.02	.02	.40	30.00
64	—	.28	.02	.02	.40	26.00
67	—	—	—	—	—	25.00
70	—	—	—	—	—	100.00

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

Age	Annual Rate of Salary Increases
25	8.37%
30	7.54
35	6.71
40	6.25
45	6.25
50	6.25
55	6.25
60	6.25
64	6.25

DEATHS AFTER RETIREMENT: According to the 1989 George B. Buck Mortality Table.

	MORTALITY RATE			MORTALITY RATE	
AGE	MEN	WOMEN	AGE	MEN	WOMEN
45	.17%	.08%	75	4.62%	2.59%
50	.28	.12	80	7.20	4.33
55	.45	.23	85	10.92	6.94
60	.80	.44	90	15.57	10.53
65	1.50	.86	95	20.47	15.60
70	2.75	1.56	100	27.58	23.08

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.

CLICK HERE TO RETURN TO CONTENTS

VALUATION METHOD: Open group aggregate. Gains and losses are spread over the average future careers of both current and future active members. If the funded ratio is less than 115%, the minimum normal contribution rate shall not be less than the rate determined using the target funding method with a funding goal of 115% over a 20 year horizon and an 8% interest rate.

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 100% of the effect of severance pay.

EXPENSES: None.

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	2001 Compensation Level*
20	5.0%	$32,000
25	20.0	33,000
30	30.0	33,000
35	25.0	33,000
40	10.0	33,000
45	10.0	32,000

*Increases at 5.0% per annum.

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 1993 through 2003. Since biennial valuations are prepared, the data is available for odd years only.

EMPLOYEES

(aggregate compensation and annual allowance dollars in thousands)

ACTIVE MEMBERSHIP DATA

FISCAL YEAR	NUMBER OF ACTIVES***	AGGREGATE COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
2003	26,371	$ 798,241	$ 30,270	9.23%
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

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
2003	1,258	$13,588	572	$4,029	9,092	$85,067	18.11 %	$9,356
2001	1,095	10,078	617	3,965	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

TEACHERS

(aggregate compensation and annual allowance dollars in thousands)

ACTIVE MEMBERSHIP DATA

FISCAL YEAR	NUMBER OF ACTIVES***	AGGREGATE COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
2003	18,710	$ 799,544	$ 42,734	8.11%
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

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
2003	848	$15,910	239	$2,735	5,127	$87,580	26.86 %	$17,082
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

* 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.

CLICK HERE TO RETURN TO CONTENTS

POLICE OFFICERS

(aggregate compensation and annual allowance dollars in thousands)

ACTIVE MEMBERSHIP DATA

FISCAL YEAR	NUMBER OF ACTIVES***	AGGREGATE COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
2003	4,305	$196,022	$45,534	9.50%
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

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
2003	262	$7,903	61	$971	1,787	$47,406	23.81 %	$26,528
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

FIREFIGHTERS

(aggregate compensation and annual allowance dollars in thousands)

ACTIVE MEMBERSHIP DATA

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

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
2003	142	$4,747	49	$1,067	999	$26,602	30.26 %	$26,629
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

* 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	Projected Liabilities For (1) Aggregate Member Contributions	(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)
2004	$1,864,275	$2,320,071	$ 845,531	$3,575,641	100.00%	73.76%	0.00%
2003	$1,754,619	$2,123,689	$ 790,884	$3,500,037	100.00%	82.19%	0.00%
2002	$1,575,703	$1,862,864	$ 757,747	$3,443,395	100.00%	100.00%	0.64%
2001	$1,481,974	$1,675,941	$ 684,687	$3,264,901	100.00%	100.00%	15.63%
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	Projected Liabilities For (1) Aggregate Member Contributions	(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)
2004	$ 643,680	$ 750,839	$ 254,683	$1,115,321	100.00%	62.82%	0.00%
2003	$ 613,838	$ 684,995	$ 233,606	$1,080,554	100.00%	68.13%	0.00%
2002	$ 553,104	$ 617,708	$ 207,327	$1,058,702	100.00%	81.85%	0.00%
2001	$ 505,941	$ 561,718	$ 192,915	$ 997,539	100.00%	87.52%	0.00%
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	Projected Liabilities For (1) Aggregate Member Contributions	(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)
2004	$ 823,534	$ 828,111	$ 313,582	$1,468,207	100.00%	77.85%	0.00%
2003	$ 771,525	$ 752,787	$ 302,246	$1,452,513	100.00%	90.46%	0.00%
2002	$ 681,141	$ 650,033	$ 303,105	$1,427,057	100.00%	100.00%	31.63%
2001	$ 656,208	$ 578,020	$ 265,108	$1,355,757	100.00%	100.00%	45.84%
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 for Fiscal Year 1999, 2000, 2001, 2002, 2003, and 2004 and based on Fair Value of Assets for Fiscal Years prior to 1999.

NOTE: Based on a 9% interest rate.

CLICK HERE TO RETURN TO CONTENTS

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)
2004	$263,985	$478,420	$178,048	$669,858	100.00%	84.84%	0.00%
2003	$245,172	$444,271	$162,351	$656,154	100.00%	92.51%	0.00%
2002	$226,996	$388,254	$155,059	$647,996	100.00%	100.00%	21.12%
2001	$210,063	$352,193	$143,042	$616,370	100.00%	100.00%	37.83%
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)
2004	$133,076	$262,701	$ 99.218	$322,255	100.00%	72.01%	0.00%
2003	$124,084	$241,636	$ 92,681	$310,816	100.00%	77.28%	0.00%
2002	$114,462	$206,869	$ 92,256	$309,640	100.00%	94.35%	0.00%
2001	$109,762	$184,010	$ 83,622	$295,235	100.00%	100.00%	1.75%
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 for Fiscal Year 1999, 2000, 2001, 2002, 2003, and 2004 and based on Fair Value of Assets for Fiscal Years prior to 1999.

NOTE: Based on a 9% interest rate.

Analysis of Past Financial Experience

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 2003	June 30 2001	June 30 1999	June 30 1997	June 30 1995
Projected Normal Rate*	5.12%	4.14%	3.94%	3.86%	3.14%
Decremental Experience	.08	.13	.15	.19	.17
Pensioner's Experience	.04	.03	.01	.01	.02
Excess Salary Increases	(.02)	—	(.05)	(.13)	(.05)
Assets Different than Expected	.65	.20	—	(.03)	.06
Current New Entrants	—	(.05)	(.04)	(.04)	(.05)
Amendments	.08	—	—	—	.01
Assumption Changes #	.06	.72	.18	.12	.38
Balancing Items	.05	(.05)	(.05)	(.04)	.18
ACTUAL NORMAL RATE	**6.06%**	**5.12%**	**4.14%**	**3.94%**	**3.86%**

TEACHERS

YEAR ENDED	June 30 2003	June 30 2001	June 30 1999	June 30 1997	June 30 1995
Projected Normal Rate *	3.44%	3.97%	4.11%	4.05%	3.35%
Decremental Experience	(.04)	.04	.12	.12	.12
Pensioner's Experience	.03	.01	—	—	.01
Excess Salary Increases	.11	(.10)	(.15)	(.17)	(.30)
Assets Different than Expected	1.03	.25	(.12)	(.03)	.02
Current New Entrants	—	(.07)	(.07)	(.05)	(.05)
Amendments	.02	—	—	—	—
Assumption Changes #	(.10)	(.70)	.09	.16	.49
Balancing Items	.18	.04	(.01)	.03	.41
ACTUAL NORMAL RATE	**4.67%**	**3.44%**	**3.97%**	**4.11%**	**4.05%**

* 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 2003	June 30 2001	June 30 1999	June 30 1997	June 30 1995
Projected Normal Rate *	10.47%	8.20%	7.13%	5.22%	3.81%
Decremental Experience	.32	.32	.34	.23	.33
Pensioner's Experience	.05	.04	.05	.04	.06
Excess Salary Increases	—	.37	—	(.15)	(.24)
Assets Different than Expected	1.69	.60	.05	(.10)	.18
Current New Entrants	—	(.06)	(.01)	.04	.01
Amendments	.28	—	—	—	.07
Assumption Changes #	(.55)	1.24	.50	1.24	.87
Demographics	—	—	—	.43	—
Balancing Items	.07	(.24)	.14	.18	.13
ACTUAL NORMAL RATE	**12.33%**	**10.47%**	**8.20%**	**7.13%**	**5.22%**

FIREFIGHTERS

YEAR ENDED	June 30 2003	June 30 2001	June 30 1999	June 30 1997	June 30 1995
Projected Normal Rate *	14.41%	10.17%	8.30%	7.61%	6.47%
Decremental Experience	.22	.38	.21	.34	(.05)
Pensioner's Experience	(.06)	.12	.05	.09	.23
Excess Salary Increases	.36	.57	.05	(.08)	(.36)
Assets Different than Expected	2.29	.67	.62	(.04)	.22
Current New Entrants	(.10)	(.06)	(.03)	.08	.01
Amendments	.33	—	—	—	.06
Assumption Changes #	(1.48)	2.67	.91	(.50)	1.07
Demographics	—	—	—	.57	—
Balancing Items	.34	(.11)	.06	.23	(.04)
ACTUAL NORMAL RATE	**16.31%**	**14.41%**	**10.17%**	**8.30%**	**7.61%**

* 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.

CLICK HERE TO RETURN TO CONTENTS

Ordinary Death Benefit

Eligibility	Death, other than accidental death.
Amount of Benefit	(a) If 10 years of service or 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 less than 10 years of service and if not eligible for service retirement, a lump sum equal to the greater of $3,600 or the member's annual compensation.

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 10 years service or 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 less than 10 years service and not eligible for service retirement, a lump sum equal to the greater of $3,600 or the member's annual compensation.
Accidental Death Benefit	
Eligibility	Accidental death occurring while in the performance of duty.
Amount of Benefit	50% of the annual rate of compensation payable first to spouse until death or remarriage, then to children under age 18 or if no spouse or children, to dependent parent.
Death after Retirement	**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.

CLICK HERE TO RETURN TO CONTENTS

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

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.
By the State	35% of the normal contribution rate for the employees of the employing subdivision. In the case of Group II members employed by the state, the state shall pay 100% of the normal contributions rate.

CLICK HERE TO RETURN TO CONTENTS

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Statistical Section

Schedules of Additions and Deductions

SCHEDULES OF ADDITIONS AND DEDUCTIONS—COMBINED PLANS

ADDITIONS BY SOURCE

(in thousands)

Fiscal Year	Member Contributions	Employer Contributions Dollars	Employer Contributions % of Annual Covered Payroll	Net Investment Income (Loss)	Transfer in From Medical Special Account	Other	Total
2004	$129,087	$123,640	6.3%	$558,793	$43,083	$2,600	$857,203
2003	117,412	88,477	4.7	52,204	29,305	2,522	289,920
2002	103,211	83,516	4.9	(322,826)	25,958	2,121	(108,020)
2001	93,999	74,656	4.6	(357,130)	18,317	5,669	(164,489)
2000	88,237	69,828	4.8	526,539	8,037	6,843	699,484
1999	81,566	61,342	4.4	506,123	3,159	5,005	657,195
1998	77,395	58,977	4.6	534,722	3,043	5,450	679,587
1997	73,669	46,151	3.6	511,049	2,273	3,503	636,645
1996	71,674	44,903	3.7	407,528	2,096	3,171	529,372
1995	69,035	40,034	3.3	393,100	2,753	2,934	507,856

DEDUCTIONS BY TYPE

(in thousands)

Fiscal Year	Pension Benefits	Health Insurance Subsidy Benefits	Refunds	Administrative Expenses	Transfer Out To Pension Plan	Other	Total
2004	$267,007	$32,492	$16,781	$5,497	$43,083	$2,738	$367,598
2003	244,725	27,907	15,223	5,038	29,305	2,516	324,714
2002	224,412	24,009	15,278	4,774	25,958	1,344	295,775
2001	200,116	13,070	16,979	4,405	18,317	1,273	254,160
2000	177,489	8,124	19,485	3,353	8,037	1,296	217,784
1999	156,436	5,147	17,411	3,367	3,159	908	186,428
1998	139,726	4,574	16,939	4,642	3,043	730	169,654
1997	126,512	4,013	15,603	3,581	2,273	1,475	153,457
1996	114,049	3,450	12,673	3,256	2,096	1,076	136,600
1995	102,242	3,289	10,961	3,037	2,753	615	122,897

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
2003	Service & Early Retirements	$70,594	$82,188	$37,307	$20,365	$210,454
	Ordinary Disability Retirements	2,742	2,185	753	500	6,180
	Accidental Disability Retirements	4,993	315	6,475	2,776	14,559
	Ordinary Death in Active Service	82	108	34	68	292
	Accidental Death in Active Service	134	60	277	252	723
	Beneficiaries**	6,522	2,724	2,560	2,642	14,448
	Refunds	8,552	5,680	2,563	626	17,421
	Postretirement Medical Premium Subsidies	10,164	8,747	5,669	3,327	27,907
	Total	**$103,783**	**$102,007**	**$55,638**	**$30,556**	**$291,984**
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 2003, 2001, 1999 and 1997 are the only data available at this time. Data for future years will be reported prospectively.

CLICK HERE TO RETURN TO CONTENTS

Schedule of Retired Members By Type of Benefit

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFITS AS OF JUNE 30, 2003

Amount of Monthly Benefit	Number of Retirees	Type of Retirement** 1	2	3	4	5	6	7
EMPLOYEES								
$1–250	1,744	1,401	7	1	5	—	247	83
251–500	2,235	1,874	50	1	3	—	190	117
501–750	1,629	1,251	126	33	3	1	156	59
751–1,000	1,399	1,024	81	149	2	2	115	26
1,001–1,250	824	622	23	116	—	1	51	11
1,251–1,500	488	394	12	40	—	3	28	11
1,501–1,750	331	278	4	19	1	1	27	1
1,751–2,000	228	201	—	13	—	1	11	2
Over 2,000	526	471	5	12	—	—	36	2
Totals	**9,404**	**7,516**	**308**	**384**	**14**	**9**	**861**	**312**
TEACHERS								
$1–250	252	129	1	—	—	—	26	96
251–500	561	452	—	—	—	—	25	84
501–750	543	457	5	—	1	—	24	56
751–1,000	762	612	72	1	1	—	45	31
1,001–1,250	557	484	27	3	2	—	20	21
1,251–1,500	520	488	10	1	—	1	13	7
1,501–1,750	528	493	15	5	2	1	11	1
1,751–2,000	490	456	10	3	1	1	16	3
Over 2,000	1,214	1,167	15	3	—	—	28	1
Totals	**5,427**	**4,738**	**155**	**16**	**7**	**3**	**208**	**300**
POLICE OFFICERS								
$1–250	55	44	—	—	—	1	6	4
251–500	83	33	—	1	—	2	36	11
501–750	85	55	2	—	—	—	22	6
751–1,000	127	62	22	12	—	3	27	1
1,001–1,250	124	80	12	7	—	1	24	—
1,251–1,500	109	77	7	11	—	1	13	—
1,501–1,750	135	93	5	26	—	1	10	—
1,751–2,000	156	111	2	37	—	—	5	1
Over 2,000	936	754	2	144	1	5	30	—
Totals	**1,810**	**1,309**	**52**	**238**	**1**	**14**	**173**	**23**
FIREFIGHTERS								
$1–250	5	2	—	1	—	1	—	1
251–500	22	6	—	1	—	3	10	2
501–750	41	10	—	1	—	—	29	1
751–1,000	58	15	5	2	—	2	34	—
1,001–1,250	88	41	3	9	—	4	31	—
1,251–1,500	89	54	5	9	—	1	20	—
1,501–1,750	78	41	8	14	—	2	13	—
1,751–2,000	91	59	2	16	1	1	12	—
Over 2,000	531	444	4	59	1	3	20	—
Totals	**1,003**	**672**	**27**	**112**	**2**	**17**	**169**	**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
905	192	244	77	325	—	—	—	1	—
1,216	228	212	111	468	—	—	—	—	—
837	132	173	79	407	1	—	—	—	—
687	160	145	72	335	—	—	—	—	—
369	76	98	36	245	—	—	—	—	—
189	45	58	31	165	—	—	—	—	—
128	14	62	18	109	—	—	—	—	—
84	13	27	6	98	—	—	—	—	—
133	28	105	37	223	—	—	—	—	—
4,548	**888**	**1,124**	**467**	**2,375**	**1**	**—**	**—**	**1**	**—**
177	30	18	5	21	1	—	—	—	—
350	111	30	14	56	—	—	—	—	—
310	91	36	15	91	—	—	—	—	—
359	188	47	28	140	—	—	—	—	—
288	72	43	22	132	—	—	—	—	—
228	66	48	14	164	—	—	—	—	—
227	45	54	23	178	1	—	—	—	—
215	31	45	14	185	—	—	—	—	—
536	108	125	45	400	—	—	—	—	—
2,690	**742**	**446**	**180**	**1,367**	**2**	**—**	**—**	**—**	**—**
28	—	7	8	12	—	—	—	—	—
43	20	3	3	14	—	—	—	—	—
54	12	4	3	12	—	—	—	—	—
77	16	9	5	20	—	—	—	—	—
59	19	6	11	29	—	—	—	—	—
54	10	7	8	30	—	—	—	—	—
61	11	5	17	41	—	—	—	—	—
82	11	3	19	41	—	—	—	—	—
342	70	26	191	307	—	—	—	—	—
800	**169**	**70**	**265**	**506**	**—**	**—**	**—**	**—**	**—**
4	—	—	—	1	—	—	—	—	—
12	1	4	—	5	—	—	—	—	—
26	12	—	2	1	—	—	—	—	—
29	17	5	—	7	—	—	—	—	—
40	15	10	12	11	—	—	—	—	—
44	15	6	10	14	—	—	—	—	—
38	8	6	11	15	—	—	—	—	—
50	12	3	10	16	—	—	—	—	—
167	35	15	99	215	—	—	—	—	—
410	**115**	**49**	**144**	**285**	**—**	**—**	**—**	**—**	**—**

#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%

CLICK HERE TO RETURN TO CONTENTS

Schedules of Average Benefit Payment Amounts

SCHEDULES OF AVERAGE BENEFIT PAYMENT AMOUNTS

EMPLOYEES

2003

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	605*	1,203	2,414	1,592
Annual Benefits	$1,921,426	$4,332,429	$13,785,997	$12,861,737
Avg. Monthly Benefit	$265	$300	$476	$673

* Includes 25 members who did not have service reported.

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.

TEACHERS

2003

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	62*	133	682	695
Annual Benefits	$260,937	$576,362	$4,523,062	$6,885,922
Avg. Monthly Benefit	$351	$361	$553	$826

* Includes 18 members who did not have service reported.

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.

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	2003 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
1,277	735	720	384	128	34	9,092
$14,557,371	$10,796,596	$13,885,667	$9,263,470	$2,911,604	$751,115	$85,067,412
$950	$1,224	$1,607	$2,010	$1,896	$1,841	$780

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	$72,024,847
$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.	2003 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
1,013	900	1,039	499	95	9	5,127
$14,867,663	$17,477,897	$25,321,122	$14,619,097	$2,732,985	$315,023	$87,580,070
$1,223	$1,618	$2,031	$2,441	$2,397	$2,917	$1,424

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	13	4,518
$11,992,815	$14,030,089	$18,567,637	$11,162,971	$2,224,227	$351,268	$69,035,750
$1,119	$1,491	$1,876	$2,194	$2,083	$2,252	$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

CLICK HERE TO RETURN TO CONTENTS

SCHEDULES OF AVERAGE BENEFIT PAYMENT AMOUNTS

POLICE OFFICERS

2003

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	127*	114	215	175
Annual Benefits	$1,213,363	$1,781,697	$3,828,391	$3,686,768
Avg. Monthly Benefit	$796	$1,302	$1,484	$1,756

* Includes 39 members who did not have service reported.

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.

FIREFIGHTERS

2003

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	33*	21	65	107
Annual Benefits	$350,147	$333,039	$1,131,339	$2,255,752
Avg. Monthly Benefit	$884	$1,322	$1,450	$1,757

* Includes 21 members who did not have service reported.

2001

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	25*	20	59	101
Annual Benefits	$221,619	$276,649	$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.

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	2003 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
766	297	81	6	5	1	1,787
$22,462,329	$10,249,061	$3,555,230	$293,413	$306,329	$29,871	$47,406,452
$2,444	$2,876	$3,658	$4,075	$5,105	$2,489	$2,211

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	$2,393	$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.	2003 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
459	240	57	13	4	—	999
$11,763,930	$8,038,005	$2,130,701	$448,361	$150,629	—	$26,601,903
$2,136	$2,791	$3,115	$2,874	$3,138	—	$2,219

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

CLICK HERE TO RETURN TO CONTENTS

Listing of Participating Employers

STATE GOVERNMENT

Adjutant General E, F

Administrative Services E

Agriculture E

Banking E

Boards and Commissions E

Board of Accountancy E

Board of Electricians E

Board of Land & Tax Appeals E

Board of Pharmacy E

Board of Registration in Medicine E

Corrections E, P

Cosmetology and Barbering Board E

Cultural Affairs E

Education E

Employment Security E

Environmental Services E

Executive Agencies E

Fish and Game Commission E, P

Health and Human Services E

Highway Safety E

Human Rights Commission E

Insurance E

Joint Board of Licensure and Certification E

Judicial Council E

Justice E

Labor E

Legislative Branch E

Liquor Commission E, P

New Hampshire Community Tech College System E

New Hampshire Port Authority E, P

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 Utilities Commission E

Real Estate Commission 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

CITIES AND TOWNS (AND RELATED ENTITIES)

Albany E

Alexandria E, P

Allenstown 2E, P, F

Alstead P

Alton E, P

Amherst P, F

Andover P

Androscoggin Valley Regional Refuse Disposal Dist. E

Antrim E, P

Ashland E, P

Ashland Electric Department E

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 E, P, F

Belmont E, P, F

Bennington E, P

Berlin 2E, P, F

Berlin Housing Authority E

Bethlehem E, P

Boscawen E, P

Bow E, P, F

Bradford P

Brentwood E, P, F

Bridgewater P

Bristol E, P, F

Brookline E, P, F

Brookline Public Library E

Campton P

Campton-Thornton F

Canaan E, P

Candia P

Canterbury E, P

Carroll E, 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

Conway Village Fire District E

Cornish E

Danville P

Deerfield E, P

Deering P

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

Derry 3E, P, F
Dorchester E
Dover 2E, P, F
Dublin E, P
Dunbarton E, T, P
Durham E, P, F
East Derry Fire Precinct E, F
East Kingston E, P
Effingham P
Enfield E, P
Epping E, P, F
Epsom E, P, F
Exeter E, P, F
Farmington P
Fitzwilliam E, P
Francestown E, P
Franconia P
Franklin E, P, F
Freedom P
Fremont P
Gilford E, P, F
Gilmanton E, P, F
Goffstown E, P, F
Goffstown Village Water Precinct E
Gorham E, P, F
Goshen E, P
Grafton P
Grantham E, P
Greenfield E, P
Greenland E, P
Greenville E, P
Groton E, P
Hampstead E, P, F
Hampton Falls P, F
Hampton E, P, F
Hancock P
Hanover E, P, F

Harrisville P
Haverhill E, P
Henniker E, P, F
Hillsborough P, F
Hinsdale E, P
Holderness E, P, F
Hollis E, P, F
Hooksett 2E, P, F
Hooksett Sewer Commission E
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 2E, P, F
Laconia Waterworks E
Lakes Region Mutual Fire Aid E, F
Lancaster E, P, F
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
Lyme E, P
Lyndeborough P
Madbury P
Madison E, P
Manchester P, F

Marlborough E, P
Marlow E
Mason P
Meredith E, P, F
Merrimack E, P, F
Middleton P
Milford 2E, P, F
Milford Area Communication E
Milton F, P
Monroe E
Mont Vernon E, P
Moultonborough E, P, F
Nashua Airport Authority E
Nashua E, P, F
Nelson E
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 E, P
Newington E, P, F
Newmarket E, P
Newport E, P, F
Newton E, P
New Hampshire Land & Community Heritage E
New Hampshire Community Development Finance Authority E
New Hampshire Municipal Bond Bank E
North Conway Water Precinct E
North Conway F
North Hampton E, P, F

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

CLICK HERE TO RETURN TO CONTENTS

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 E, P

Penacook-Boscawen Water Precinct E

Peterborough E, P, F

Pittsburg E, P

Pittsfield E, P

Plainfield E, P

Plaistow E, P, F

Plaistow Public Library E

Plymouth 2E, P, F

Plymouth Court Jurisdictional Association E

Portsmouth E, P, F

Raymond E, P, F

Rindge E, P, F

Rochester E, P, F

Rockingham Planning Commission E

Rollinsford P

Rumney E, P

Rye E, P, F

Rye Water District E

Salem 2E, P, F

Salisbury E

Sanbornton E, P, F

Sandown E, P, F

Sandwich P

Seabrook P, F

Shelburne E

Somersworth P, F

South Hampton P

Southern NH Planning Commission E

Springfield E, P

Stark E

Stewartstown E

Strafford P

Stratford E

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 Fire District F

Troy E, P

Troy Water/Sewer Department E

Tuftonboro E, P, F

Unity E

Wakefield E, P, F

Walpole E, P

Warner E, P

Warner Village Water District E

Washington E, P

Waterville Valley P, F

Weare E, P

Webster E, P

Weeks Public Library E

Westmoreland E

Whitefield E, P

Wilmot E, P

Wilton P

Winchester E, P

Windham E, P, F

Wolfeboro E, P, F

Woodstock E, P

Woodsville E

Woodsville Fire District E

Woodsville Water & Light Department E

COUNTY GOVERNMENTS (AND RELATED ENTITIES)

Belknap County E, P

Belknap County Conservation District E

Carroll County E, P

Cheshire County E, P

Coos County 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 E, T

Alton School District E, T

Amherst School District E, T

Andover School District E, T

Ashland School District E, T

Auburn School District E, T

Barnstead School District E, T

Barrington School District E, T

Bartlett School District E, T

Bath School District E, T

Bedford School District E, T

Berlin School District E

Bethlehem School District E, T

Bow School District E, T

Brentwood School District E, T

Brookline School District T

Campton School District E, T

Candia School District E, T

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

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

Derry Cooperative School District E

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

Franklin School District E, T

Freedom School District E, T

Fremont School District E, T

Gilford School District E, T

Gilmanton School District E, T

Goffstown School District E, T

Gorham School District E, T

Goshen-Lempster Coop School District E, T

Governor Wentworth Regional School District E, 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 E, 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 E, T

Manchester School District T

Marlborough School District E, T

Marlow School District E, 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 E, 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

Moultonborough 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

Oyster River Coop School District E, T

Pelham School District E, T

Pembroke School District E, T

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

CLICK HERE TO RETURN TO CONTENTS

Pemi-Baker Regional School District E, T

Piermont School District E, 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

Portsmouth—Josie F. Prescott E

Profile Coop School District E, T

Propsect Mountain High School E, T

Raymond School District E, T

Rivendell Interstate 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 E, 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

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

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 Coop School District E, T

Winnisquam Regional Coop School District E, T

SCHOOL ADMINISTRATIVE UNITS

SAU 2 E, T

SAU 3 E, T

SAU 6 E

SAU 7 E, T

SAU 9 E, T

SAU 10 E, T

SAU 13 E

SAU 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 28 E

SAU 29 E, T

SAU 33 E

SAU 34 E

SAU 35 E, T

SAU 38 E, T

SAU 39 E

SAU 41 E

SAU 42 E, T

SAU 43 E, T

SAU 44 E, T

SAU 46 E

SAU 48 E, T

SAU 49 E

SAU 50 E

SAU 51 E, T

SAU 53 E, T

SAU 54 E, T

SAU 55 E

SAU 56 E, T

SAU 57 E

SAU 58 E

SAU 63 E, T

SAU 64 E, T

SAU 65 E

SAU 67 E

SAU 70 E

SAU 75 E

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