NHRS

New Hampshire Retirement System

A Component Unit Of The State Of New Hampshire*

Comprehensive Annual Financial Report
For The Fiscal Year Ended
June 30, 2006

*Please refer to footnote on the title page.

INTRODUCTORY SECTION

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Comprehensive Annual Financial Report
For The Fiscal Year Ended
June 30, 2006

A Component Unit of the State of New Hampshire*

For The Fiscal Year Ended
June 30, 2006

Robert S. Leggett
Executive Director

* 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
54 Regional Drive
Concord, New Hampshire 03301-8507
www.nh.gov/retirement/

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Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

New Hampshire Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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

President

Executive Director

Letter From The Chair

NHRS
New Hampshire Retirement System

November 6, 2006

To: The Members of the New Hampshire Retirement System

As Chair of the Board of Trustees of the New Hampshire Retirement System (System), I am pleased to present the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. 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 fairly present the financial condition and results of operations of the System.

Each participant of our System deserves the security of well-funded benefit plans. 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 continues to be sound. The investment policy as adopted by the Board of Trustees is designed to generate competitive total returns on a long-term basis while maintaining appropriate levels of liquidity and risk. The System's investment portfolio is broadly diversified to provide protection against volatility in the capital markets. The System's investment returns continue to rebound from the poor investment climate that was experienced during fiscal years 2001–2003. The System's total fund investment return for the three year period ended June 30, 2006 was 11.4%. The total fund investment return for fiscal year ended June 30, 2006 was 10.0%, exceeding the actuarial assumed rate of return.

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. The Board of Trustees is committed to fulfilling their fiduciary responsibilities for the benefit of all members.

I want to express my gratitude to the System's staff and my 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 in our ability to fulfill our fiduciary responsibility to the members of the System.

Sincerely,

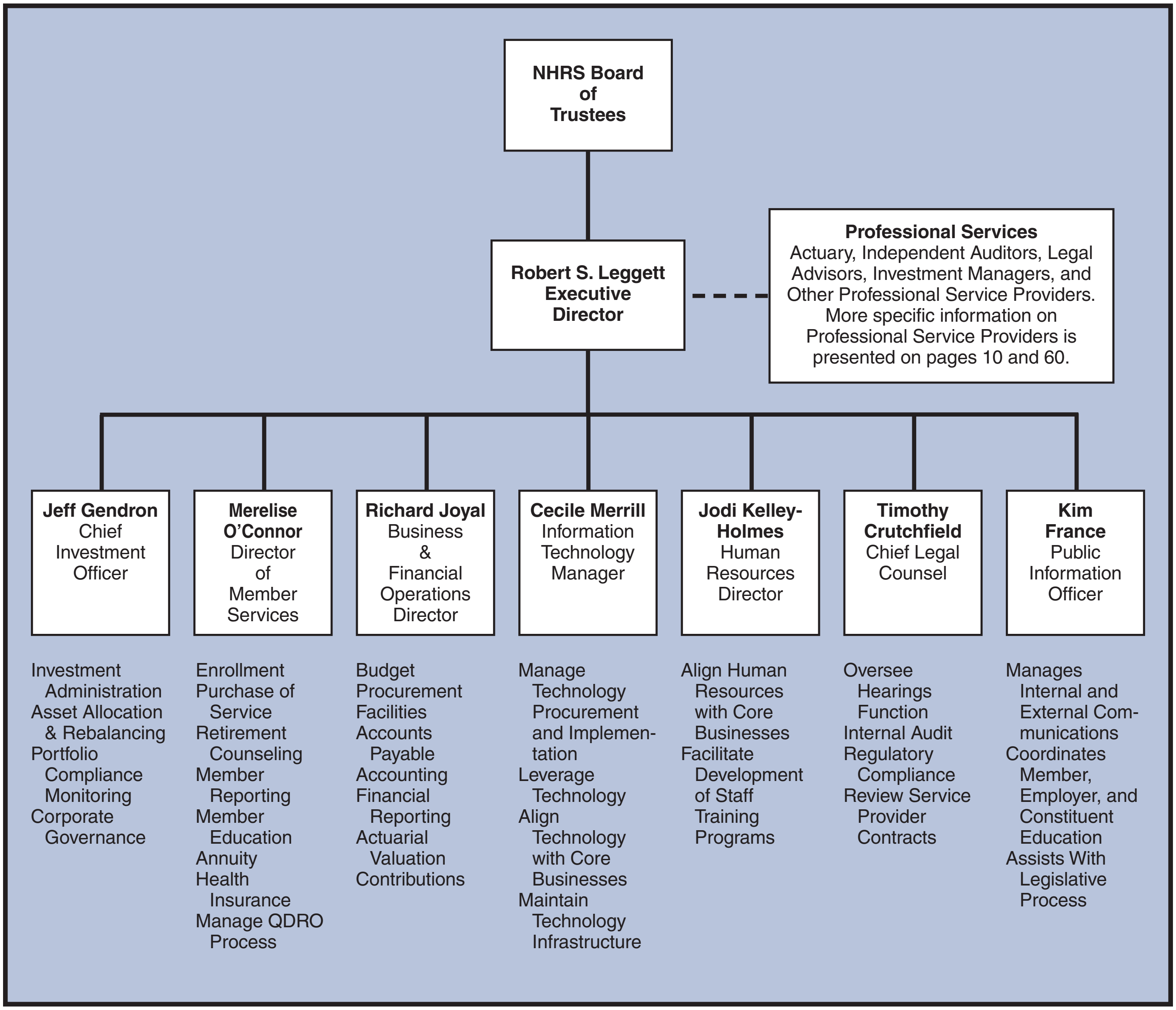
Charlton MacVeagh, Jr.
Chair of the Board of Trustees
New Hampshire Retirement System

Charlton MacVeagh, Jr.
Chair
Board of Trustees

Board Of Trustees

Front row, left to right: Samuel J. Giarrusso, Brian W. Morrissey, Chair Charlton MacVeagh, Jr., Vice Chair Debra M. Douglas, J. David McLean. Back row, left to right: David W. Kelley, Germano Martins, Representative William R. Zolla, Senator Robert Flanders, State Treasurer Michael Ablowich, Charles Koontz. Absent when photo was taken: Joseph G. Morris, Dean Crombie.

Administrative Organization



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Professional Managers, Advisors and Service Providers

DOMESTIC EQUITY MANAGERS
Ark Asset Management Company, Inc.
Century Capital Management, LLC
Dalton, Greiner, Hartman, Maher & Co.
Davis, Hamilton, Jackson & Associates, L.P.
DePrince, Race & Zollo, Inc.
DG Capital Management, Inc.
Independence Investment LLC
Institutional Capital Corporation
J. & W. Seligman & Company, Inc.
LSV Asset Management
MacKay Shields
State Street Global Advisors
WCM Investment Management, Inc.

DOMESTIC FIXED INCOME MANAGERS
Income Research & Management, Inc.
Loomis Sayles & Company, L.P.
Lord, Abbett & Company, LLC
TCW Asset Management Co., Inc.

INTERNATIONAL EQUITY AND FIXED INCOME MANAGERS
Brandywine Asset Management, Inc.
Fisher Investments, Inc.
Thornburg Investment Management, Inc.
Walter Scott & Partners Limited

TIMBERFUND MANAGERS
Global Forest Partners, L.P.

VENTURE CAPITAL INVESTMENT MANAGERS
APA Excelsior IV & V, L.P.
APAX Excelsior VI
Brand Equity Ventures I & II
Castle Harlan Partners II & III, L.P.
Castle Harlan Australian Mezzanine Partners, L.P.
Coral Partners II, IV & V, L.P.
Crescendo IV, L.P.
Energy Investors Fund I & II, L.P.
Euclid Partners IV, L.P.
Euclid SR Partners, L.P.
HEV III US, L.P.
Lightspeed Venture Partners VI, L.P.
MatlinPatterson Global Opportunities Partners II, L.P.
New England Growth Fund I & II, L.P.
North Atlantic Venture Fund II, L.P.
Prism Venture Partners I, II, II-A, III, IV & V
RFE Investment Partners VI, L.P.
Richland Ventures I & II, L.P.
Sprout VI, VII & VIII, L.P.
Sterling Venture Partners, LLC
TCW/Crescent Mezzanine Partners, L.P.
Technology Venture Partners, L.P.
The Venture Capital Fund of New England III, L.P.
VSS Communications Partners IV, L.P.
Weiss, Peck & Greer Venture Associates V, LLC
Zero Stage Capital V, VI & VII, L.P.

ABSOLUTE RETURN INVESTMENT MANAGERS
Arden Capital Management, LLC
Relational Investors, LLC

ALTERNATIVE INVESTMENT SERVICE PROVIDER
BISYS Private Equity Services

LEGAL ADVISORS
Sheehan, Phinney, Bass & Green, P.A.
Peter Foley, Esquire

INDEPENDENT AUDITORS
KPMG LLP

INVESTMENT ADVISOR
Ennis Knupp

ACTUARIAL CONSULTANT
Buck Consultants, LLC

COMMERCIAL REAL ESTATE CONSULTANT
The Townsend Group

COMMERCIAL REAL ESTATE MANAGERS
Hart Realty Advisers, Inc.
LaSalle Investment Management
The Townsend Group

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

CORPORATE GOVERNANCE SERVICES
Institutional Shareholder Services, Inc.
Securities Class Action Services, LLC

NHRS

New Hampshire Retirement System

November 6, 2006

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the New Hampshire Retirement System (System) for the fiscal year ended June 30, 2006. 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 System's management is responsible for the complete and fair presentation of the data and the accompanying disclosures in this report. This report fairly presents the combined assessment of the investment results and the financial condition of the Pension Plan and the Postretirement Medical Plan.

The System 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 System 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 System is a qualified governmental plan within the meaning of section 414(d) of the United States Internal Revenue Code and has a separately appointed governing body. Based on financial reporting guidelines, the Pension Plan is deemed to be a single pension plan. In addition, the System 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 15.

BUDGET CONTROLS AND SYSTEM ADMINISTRATION

The administrative budget of the System for the fiscal year 2006 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 System is a component unit of the State of New Hampshire.

The System is administered by a 13 member board of trustees, which includes one State Senator, one State Representative, the State Treasurer as an ex-officio member, two 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 System 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 CAFR is presented in five sections. The Introductory Section contains general information regarding the operations of the System. 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 letter prepared by the investment consultant and comparative investment reports prepared by the System pertaining to its investments. 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 System's participants and finances.

ACCOUNTING SYSTEM AND INTERNAL CONTROL

The CAFR 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 System 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 System is responsible for maintaining a system of internal controls which are 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, 2006 and June 30, 2005. 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 23.

FUNDING STATUS

The System utilizes the open group aggregate actuarial method as set forth in RSA 100-A:16, with target funding as a minimum, to determine the annual required employer 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, the Board of Trustees internally measure and determine the funding ratio and the actuarial balance of the System by requiring the actuary to perform calculations utilizing the unit credit actuarial cost method. The funding ratio is determined 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 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. This ratio measures the progress made towards the Board of Trustees funded ratio goals.

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, 2006 is presented on pages 68 and 69 based on this conservative approach. The fair value of net assets held in trust for benefits was $4.354 billion net of the Undesignated Special Account and the Account for Medical Insurance Subsidy. The projected pension liability totaled $6.403 billion, resulting in a funded ratio of 67.99% and projected pension liability in excess of the assets of $2.049 billion. For the fiscal year ended June 30, 2005, the funded ratio and the projected pension liability in excess of assets was 66.43%

and $2.011 billion, respectively. The current funded ratio has increased slightly over last fiscal year. Plan liabilities increased by $411.8 million from the prior year. This increase was offset by an increase in the fair value of assets of $373.7 million during the fiscal year. The comparable data for the "Board of Trustees Funded Ratio Goals" are also presented on pages 68 and 69.

INVESTMENTS

RSA 100-A:15 fully empowers the New Hampshire Retirement System Board of Trustees to invest funds under the "Prudent Investor Rule." This rule requires that fiduciaries shall discharge their duties solely in the interest of the System 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 discussion on comparative two year annualized returns, and related benchmark indices, for fiscal years 2006 and 2005 are presented in the Management's and Discussion and Analysis beginning on page 23.)

MAJOR INITIATIVES

The System's Strategic Business Plan serves as its roadmap for navigating the challenges faced in responding to a growing retirement-eligible population with increasing demands for pension plan information and services. The System's management team and administrative staff have collaboratively developed this three-year Strategic Business Plan seeking new ways to realistically and successfully accomplish organizational goals and objectives. The Strategic Business Plan's objectives include streamlining business processes, revising and improving workflow, strengthening internal controls, and building a solid foundation on which to improve services to our members and more effectively meet statutory obligations and fiduciary responsibilities. Some of the major initiatives accomplished during fiscal year 2006 through the Strategic Business Plan were:

To further strengthen internal controls and establish appropriate monitoring processes, the System has developed and implemented an internal compliance functional team consisting of a Chief Legal Counsel, a Hearings Officer, an Internal Auditor and a Regulatory Compliance Officer.

Consistent with implementing best practices, the System now reviews all of its professional service providers on a periodic basis. Requests for Proposals (RFP) were issued during fiscal year 2006 for investment consulting services and for actuarial consulting services. As a result of this process, a new general investment consultant was chosen and began providing services to the System in fiscal year 2006. A new actuarial consultant was also chosen with services to begin in fiscal year 2007.

Another major milestone for the System was the ratification of its first Collective Bargaining Agreement (CBA) in February 2006. This historic event represents the first agreement between the System, as an organization that is independent of the State of New Hampshire's classified personnel system and the State Employees Association (SEIU). The CBA process was a collaborative accomplishment including both management and non-management members, as well as external parties.

The System participated for the first time in the Cost Effective Measurement (CEM) Benchmarking program. This program allows the System to measure our capabilities for providing quality member and retiree services against a peer group of other public employee pension plans. The information gained through participation in this new program will prove valuable in helping the System structure and implement more effective and efficient member and retiree services.

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 2006 the LBA designated KPMG LLP to conduct the annual audit of the System. The independent auditors' report, the audited financial statements, required supplementary information, and supporting schedules are included in the Financial Section of this report.

ACTUARIAL REVIEW AND VALUATION

An actuarial review of the mortality, service, withdrawals, and compensation experience of members is required by statute at least once during each five-year period. An actuarial valuation of assets and liabilities is required by statute at least once during each two-year period. The actuarial firm of Buck Consultants LLC provides the actuarial experience review and valuation. The most recent valuation and experience study was performed as of June 30, 2005. This data was used to determine the employer contribution rates for the System for the fiscal years ended June 30, 2008 and June 30, 2009 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 System for its Comprehensive Annual Financial Reports for the last fifteen 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. A copy of the fiscal year 2005 award is presented on page 6.

ACKNOWLEDGMENTS

The compilation of this report reflects the combined efforts of the administrative staff under the direction of the Board of Trustees of the System. 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 System.

Respectfully submitted,

Robert S. Leggett
Executive Director

Richard R. Joyal
Business & Financial Operations Director

Summary Of Plan Provisions

TYPE OF PLAN

The New Hampshire Retirement System (NHRS) is a contributory public employee 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 eligible 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 retired members. Unlike a defined contribution plan, a member's pension benefit is based on a predetermined formula measured by salary credit and service credit, 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, 2006, the employer contribution rate for providing retirement, disability, and death benefits for the employee classification was 6.81%. The employer contribution rate, including the State of New Hampshire's share, for the teacher classification for providing retirement, disability, and death benefits was 5.70%; for the police officer classification, 14.90%; and the firefighter classification, 22.09%.

As provided by RSA 100-A:53,I, 33⅓% of certain Group I and Group II employer contributions are paid into a Medical Plan Subtrust. Subsequently, a transfer is made from a Medical Special Account to the pension plan equal to the contributions made to the Medical Plan Subtrust.

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, 2006 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.

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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 with at least 10 years of creditable service who terminate employment may receive a retirement pension at that point when 20 years would have been completed but not before age 45, or at age 60.

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 allowance payable to a beneficiary, including a Group II Death Benefit, is subject to the limitations set forth in RSA 100-A:13-b and Internal Revenue Code Section 401(a)(9). The total allowance payable to your beneficiary(ies) is limited to 100% of your allowance.

Section 401(a)(9) of the Internal Revenue Code limits the survivorship allowance payable to a non-spouse beneficiary who is more than ten years younger than you. That limit is 52% to 96% of your allowance. The exact percentage will vary according to your age and the age of your beneficiary(ies).

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 and their qualified spouses are eligible for coverage under the postretirement medical plan. Also, any certifiably dependent child with a disability living in the household and being cared for by the qualified retired member, member's spouse, or qualified surviving spouse would also qualify:

- Employee and teacher members of political subdivisions who retire on or before July 1, 2008, on Service, Early Service, Vested Deferred or Ordinary Disability retirement would become eligible for the medical subsidy at age 60 with at least 20 years of creditable service; or as early as age 55 with at least 30 years of creditable service.
- Employee and teacher members of political subdivisions who retired on Accidental Disability Retirement on or before July 1, 2004.
- Employee members of the State who retired on or before July 1, 2004, on Service, Ordinary Disability or Vested Deferred Retirement would become eligible for the medical subsidy at age 60 with at least 20 years of creditable service; or as early as age 55 with at least 30 years of creditable service.
- Employee and teacher members of political subdivisions who retire on or before July l, 2008, on Service, Early Service, Vested Deferred or Ordinary Disability retirement after completing at

least 20 years of creditable service and who subsequently attain age 60 or after completing at least 30 years of creditable service and who subsequently attain age 55.

- Surviving spouses of deceased employee and teacher members of political subdivisions who die while in service, provided that such surviving spouse was covered as the member's spouse in the employer-sponsored plan before the member's death and is entitled to a monthly allowance under Accidental Death, Ordinary Death, or an Optional Allowance.
- Surviving spouses and children of employee and teacher members of political subdivisions who die as the natural and proximate result of injuries suffered while in the performance of duty. Eligibility for the medical subsidy ceases when the dependent child attains age 18 or age 23, if attending school on a full-time basis, or upon the spouse's remarriage.
- Surviving spouses and children of employee members of the State who died as the natural and proximate result of injuries suffered while in the performance of duty. Payment of the subsidy ceases when (i) the dependent child attains age 18 or age 23, if attending school on a full-time basis, or (ii) the spouse remarries.
- Vested terminated employee members of the State (and spouses) who completed at least 20 years of creditable service and prior to July 1, 2004 receives an allowance and who subsequently attains age 60.
- Employee members of the State (and spouses) who retire after completing at least 20 years of creditable service and who subsequently attains age 60 before July 1, 2004 or after completing at least 30 years of creditable service and who subsequently attains age 55 before July 1, 2004.
- Surviving spouses of deceased employee members of the State who died while in service on or before July 1, 2004, provided that such surviving spouse was covered as the member's spouse in the employer-sponsored plan before the member's death and is entitled to a monthly allowance under Accidental Death, Ordinary Death, or an Optional Allowance.

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)

No later than May 31 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.

Financial Section

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Independent Auditors' Report

KPMG

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Independent Auditors' Report

The Fiscal Committee of the General Court:

We have audited the accompanying financial statements of the New Hampshire Retirement System (the System), a component unit of the State of New Hampshire, as of and for the year ended June 30, 2006, 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 2005 financial statements and, in our report dated May 23, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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, 2006, and the changes therein for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 23 through 27 and the historical pension information on page 45 are not a required part of the financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2006 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 6, 2006

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, 2006 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, 2006 with summarized comparable totals for fiscal year 2005. 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 $383.7 million (8.1%) from the prior year's net asset balance. The comparable increase in the net assets for the fiscal year 2005 was $337.3 million. Net investment income during fiscal year 2006 was $460.2 million compared to net investment income during fiscal year 2005 of $413.7 million. This represents a 10.0% time weighted investment rate of return for the total fund for the fiscal year ended June 30, 2006 compared to a 10.1% investment rate of return for the year ended June 30, 2005.

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, 2006 and June 30, 2005.

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

	As Of June 30, 2006	As Of June 30, 2005	Amount Increase (Decrease)	Percentage Increase (Decrease)
Cash	$ 2.3	$ 8.4	($ 6.1)	(72.6%)
Receivables	211.0	273.2	(62.2)	(22.8%)
Investments	5,134.7	4,705.3	429.4	9.1%
Cash Collateral on Securities Lending	829.7	565.2	264.5	46.8%
Other Assets	4.7	5.8	(1.1)	(19.0%)
Total Assets	**$6,182.4**	**$5,557.9**	**$624.5**	**11.2%**
Cash Collateral on Securities Lending	829.7	565.2	264.5	46.8%
Other Liabilities	240.4	264.1	(23.7)	(9.0%)
Total Liabilities	**$1,070.1**	**$ 829.3**	**$240.8**	**29.0%**
Net Assets Held in Trust for Benefits	**$5,112.3**	**$4,728.6**	**$383.7**	**8.1%**

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

	Year Ended June 30, 2006	Year Ended June 30, 2005	Amount Increase (Decrease)	Percentage Increase (Decrease)
ADDITIONS:				
Employer Contributions	$170.8	$133.1	$ 37.7	28.3%
Member Contributions	147.8	145.7	2.1	1.4%
Net Investment Income (Loss)	460.2	413.7	46.5	11.2%
Postretirement Medical Plan Transfers	61.4	43.6	17.8	40.8%
Asset Transfer from Pension Plan	—	1.7	(1.7)	(100.0%)
Other Income	0.9	1.3	(0.4)	(30.8%)
Total Additions	**$841.1**	**$739.1**	**$102.0**	**13.8%**
DEDUCTIONS:				
Benefits Paid	$358.3	$329.1	29.2	8.9%
Refunds of Contributions	29.4	20.0	9.4	47.0%
Administrative Expense	5.3	4.8	0.5	10.4%
Postretirement Medical Plan Transfers	61.4	43.6	17.8	40.8%
Asset Transfer to Postretirement Medical Plan	—	1.7	(1.7)	(100.0%)
Other Deductions	3.0	2.6	0.4	15.4%
Total Deductions	**$457.4**	**$401.8**	**$ 55.6**	**13.8%**
Total Changes in Plan Net Assets	**$383.7**	**$337.3**	**$ 46.4**	**13.8%**

Total assets increased by $624.5 million (11.2%) in fiscal year 2006. Receivables decreased by $62.2 million (22.8%) over the prior fiscal year due to a decrease in the pending sale of securities at fiscal year end. Investments increased by $429.4 million (9.1%). This increase in investments reflects strong returns in domestic and international equity markets during the fiscal year and continued strength in real estate investments. Cash collateral on security lending reflects an increase of $264.5 million (46.8%) indicating higher securities on loan at the end of the fiscal year. Other assets decreased by $1.1 million for the fiscal year 2006. The other assets primarily represent the capitalized cost of a pension administration system, net of depreciation.

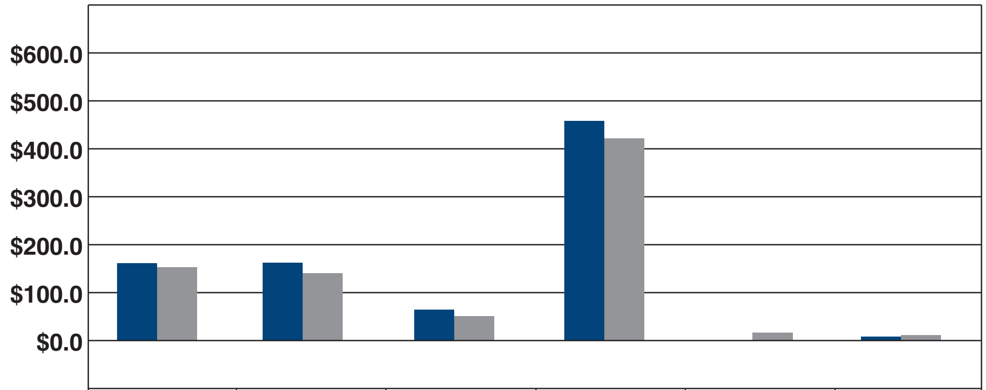
The total liabilities increased by $240.8 million (29.0%) at the end of the fiscal year. The security lending cash collateral was higher by $264.5 million compared to the prior year's comparable balance. The other liabilities decreased by $23.7 million (9.0%). The decrease in other liabillities consists of a decrease in payables related to the pending purchase of securities of $19.3 million, and $4.4 million for benfits payable.

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, 2006 and June 30, 2005. All activities were 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, 2006, the total changes in plan net assets were an increase of $383.7 million compared to $337.3 million for the prior fiscal year, reflecting an increase of $46.4 million or 13.8%. 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 2006, the combined total of employer and member contributions increased by $39.8 million or 14.3%. Employer contributions increased from $133.1 million in fiscal year 2005 to $170.8 million (28.3%) in fiscal year 2006. The increase in employer contributions was a result of increased employer contribution rates. Member contributions increased by $2.1 million or 1.4% primarily due to an increase in the compensation paid to members, voluntary member contributions and voluntary purchases of prior service by members. Transfers to the postretirement medical plan increased by $17.8 million or 40.8% which was attributable to higher employer contributions.

Additions to Plan Net Assets
Comparative Data for FY 2006 and FY 2005
(in millions)



	Member Contributions	Employer Contributions	Postretirement Medical	Net Investment Income	Asset Transfer From Pension Plan	Other Additions
FY 2006	$147.8	$170.8	$61.4	$460.2	$0.0	$0.9
FY 2005	$145.7	$133.1	$43.6	$413.7	$1.7	$1.3

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 $460.2 million, compared to a net investment income of $413.7 million for the prior year. Of this amount, there was net appreciation in the fair value of investments of $352.7 million.

Additionally, the overall income earned on investments, net of investment expenses, was $107.5 million. Included in this amount was the security lending income of $2.3 million.

Asset transfers from the pension plan were $0.0 million in fiscal year 2006, compared to $1.7 million for the fiscal year 2005.

DEDUCTIONS TO PLAN NET ASSETS

Benefits paid increased by $29.2 million or 8.9% over fiscal year 2005. This increase was due to an additional number of retirees and on account of cost of living adjustments granted to retirees through legislative action. Refunds of contributions increased $9.4 million or 47.0% over 2005 due to legislative changes reducing the number of years a terminated member may remain in the System from 6 years to 2 years. In addition, the postretirement medical subsidy paid to qualified retirees increased by 8% in accordance with State law. Administrative expense increased from $4.8 million in fiscal year 2005 to $5.3 million, an increase of $0.5 million or 10.4%. This increase was primarily due to increased salary costs and costs associated with computer support.

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, the Board of Trustees internally measure and determine the funding ratio and the actuarial balance of the System by requiring the actuary to perform calculations utilizing the unit credit actuarial cost method. The funding ratio is determined 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

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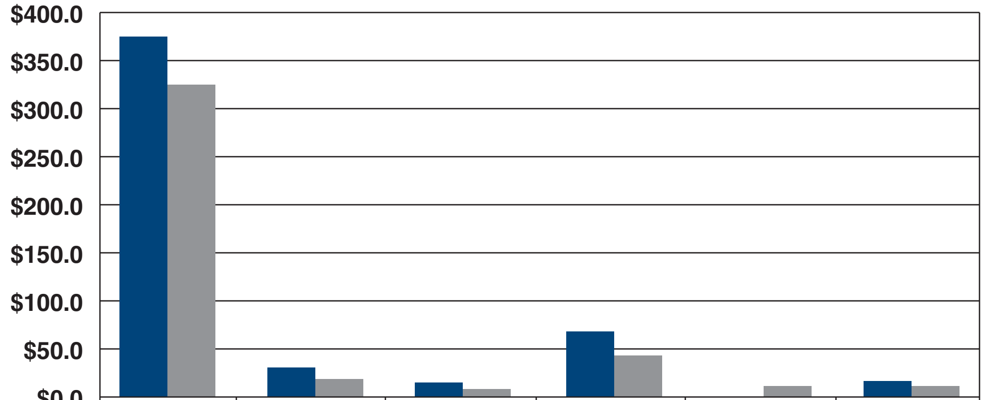
Deductions to Plan Net Assets
Comparative Data for FY 2006 and FY 2005
(in millions)



	Benefits Paid	Refunds	Administrative Expenses	Postretirement Medical Expenses	Asset Transfer to Postretire-ment Medical Plan	Other Deductions
FY 2006	$358.3	$29.4	$5.3	$61.4	$0.0	$3.0
FY 2005	$329.1	$20.0	$4.8	$43.6	$1.7	$2.6

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, 2006 was 67.99% compared to 66.43% as of June 30, 2005.

The System's pension liabilities increased by $411.8 million from the prior year. The increase in pension liabilities is attributable to a maturing membership and increases in the overall compensation earned by members over the prior year. The increase in the funding ratio to 67.99% is due to differences between the assumed plan experience and the actual plan experience.

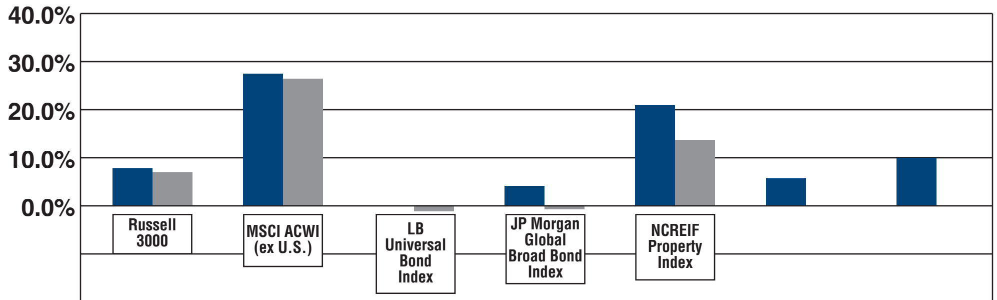
INVESTMENT PERFORMANCE

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 earn above average investment returns and to maintain adequate levels of liquidity and risk.

The equity and fixed income investments comprise approximately 80.3% of invested assets as of June 30, 2006. The remaining 19.7% of assets are predominantly invested in cash and cash equivalents, commercial real estate and alternative investments, including venture capital, timber and absolute return strategy investments for the primary purpose seeking to earn enhanced returns and for 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, 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.

Investment Performance NHRS vs. Selected Indices
FY 2006



	Domestic Equity	International Equity	Domestic Fixed	Global Fixed	Commercial Real Estate	Alternatives	Total Fund
NHRS	9.7%	28.6%	0.0%	4.0%	20.4%	5.0%	10.0%
Indices	9.6%	27.9%	–0.3%	–0.2%	14.5%	6.7*	9.8**

* There is not a generally accepted index for alternative investments. However, the Consumer Price Index plus 5% is utilized for comparative purposes.

** The total fund index is a custom index comprised of major market indices in proportion to the System's asset allocation.

For the fiscal year ended June 30, 2006, the System's total fund return was 10.0%, compared to 10.1% for the fiscal year ended June 30, 2005, a decrease of 0.1% on a year-to-year basis. The domestic equity portfolio returned 9.7% outperforming the Russell 3000 Index by 10 basis points. The international equity investments returned 28.6%, outperforming the MSCI ACWI (ex U.S) Index by 70 basis points. The domestic fixed income investments returned 0.0%, outperforming the Lehman Brothers Universal Bond Index by 30 basis points, and the global fixed income portfolio returned 4.0%, outperforming the J.P. Morgan Global Broad Bond Index by 420 basis points. The global fixed income portfolio performance was helped by investment in non-dollar securities and foreign currency conversion rates.

Additionally, the commercial real estate portfolio returned 20.4% and outperformed the NCREIF Property Index by 590 basis points. The performance for both the core and non-core portfolios in this asset class helped the performance of real estate. The alternative investment class, including venture capital, timber funds and absolute return strategy investments returned 5.0% for the fiscal year ended June 30, 2006.

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, 2006. Please contact the New Hampshire Retirement System's Office for additional financial information or for questions related to this report.

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STATEMENTS OF PLAN NET ASSETS

(in thousands)

AS OF JUNE 30, 2006 (with summarized financial information as of June 30, 2005)

	PENSION PLAN 2006	POST RETIREMENT MEDICAL PLAN 2006	TOTAL 2006	TOTAL 2005
ASSETS:				
Cash	$ 2,142	$ 206	$ 2,348	$ 8,385
Receivables:				
Due from Employers	15,278	—	15,278	11,352
Due from State	4,620	—	4,620	3,952
Due from Plan Members	15,243	—	15,243	14,065
Due from Brokers for Securities Sold	146,956	14,148	161,104	228,638
Interest and Dividends	13,109	1,262	14,371	12,893
Other	313	30	343	2,353
Total Receivables	**195,519**	**15,440**	**210,959**	**273,253**
Investments At Fair Value (NOTES 2 and 3):				
Cash and Cash Equivalents:	249,828	24,053	273,881	183,122
Equity Investments:				
Domestic	2,206,743	212,447	2,419,190	2,287,221
International	595,101	57,291	652,392	517,079
Fixed Income Investments:				
Domestic	796,166	76,648	872,814	831,918
Global	162,895	15,682	178,577	155,125
Commercial Real Estate	365,694	35,206	400,900	347,054
Alternative Investments	307,314	29,586	336,900	383,823
Total Investments	**4,683,741**	**450,913**	**5,134,654**	**4,705,342**
Cash Collateral on Securities Lending (NOTE 3)	756,869	72,865	829,734	565,162
Other Assets	4,322	416	4,738	5,796
TOTAL ASSETS	**5,642,593**	**539,840**	**6,182,433**	**5,557,938**
LIABILITIES:				
Cash Collateral on Securities Lending (NOTE 3)	756,869	72,865	829,734	565,162
Management Fees and Other Payables	7,383	711	8,094	12,487
Due to Brokers for Securities Purchased	211,945	20,404	232,349	251,699
TOTAL LIABILITIES	**976,197**	**93,980**	**1,070,177**	**829,348**
NET ASSETS HELD IN TRUST FOR BENEFITS (NOTE 4)	**$4,666,396**	**$445,860**	**$5,112,256**	**$4,728,590**

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, 2006 (with summarized financial information for the year ended June 30, 2005)

	PENSION PLAN 2006	POST RETIREMENT MEDICAL PLAN 2006	TOTAL 2006	TOTAL 2005
ADDITIONS:				
Contributions (NOTE 6):				
Employers	$ 86,981	$ 50,255	$ 137,236	$ 107,459
State Contributions on Behalf of Local Employers	22,391	11,194	33,585	25,595
Total Employer Contributions	**109,372**	**61,449**	**170,821**	**133,054**
Plan Members	147,821	—	147,821	145,706
Total Contributions	**257,193**	**61,449**	**318,642**	**278,760**
Investment Income				
From Investment Activities:				
Net Appreciation in Fair Value of Investments	320,268	32,394	352,662	305,669
Interest	52,904	5,351	58,255	52,788
Dividends	49,421	4,999	54,420	51,056
Alternative Investment Income	(1,587)	(161)	(1,748)	6,825
Net Commercial Real Estate Income	18,724	1,894	20,618	23,560
Total Income from Investment Activities	**439,730**	**44,477**	**484,207**	**439,898**
Less: Investment Expenses:				
Investment Management Fees	22,983	2,325	25,308	26,068
Custodial Fees	403	41	444	667
Investment Advisor Fees	547	55	602	420
Total Investment Activity Expenses	**23,933**	**2,421**	**26,354**	**27,155**
Total Net Income from Investment Activities	**415,797**	**42,056**	**457,853**	**412,743**
From Securities Lending Activities (NOTE 3):				
Securities Lending Income	26,433	2,674	29,107	9,801
Less: Securities Lending Borrower Rebates	23,770	2,404	26,174	8,593
Less: Securities Lending Management Fees	533	54	587	257
Net Income from Securities Lending Activities	**2,130**	**216**	**2,346**	**951**
Total Net Investment Income	**417,927**	**42,272**	**460,199**	**413,694**
Postretirement Medical Plan Transfers on Behalf of Employers (NOTE 6)	61,449	—	61,449	43,595
Asset Transfer From Pension Plan	—	—	—	1,678
Other	745	75	820	1,327
TOTAL ADDITIONS	**737,314**	**103,796**	**841,110**	**739,054**
DEDUCTIONS:				
Benefits Paid	316,637	41,639	358,276	329,117
Refunds of Contributions	29,382	—	29,382	19,991
Administrative Expense (NOTE 8)	4,799	485	5,284	4,777
Postretirement Medical Plan Transfers to Pension Plan on Behalf of Employers (NOTE 6)	—	61,449	61,449	43,595
Asset Transfer to Postretirement Medical Plan (NOTE 5)	—	—	—	1,678
Professional Fees	965	98	1,063	781
Other	1,807	183	1,990	1,811
TOTAL DEDUCTIONS	**353,590**	**103,854**	**457,444**	**401,750**
CHANGE IN NET ASSETS	**$ 383,724**	**($ 58)**	**$383,666**	**$ 337,304**
NET ASSETS HELD IN TRUST FOR BENEFITS				
Beginning of the Year	$4,282,672	$445,918	$4,728,590	$4,391,286
End of the Year	$4,666,396	$445,860	$5,112,256	$4,728,590

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

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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. The System participates as an employer in the New Hampshire Retirement System and its employees are members of the New Hampshire Retirement System.

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%. No later than May 31 of each year, 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 System's financial statements are presented on a condensed basis in the State's Comprehensive Annual Financial Report (CAFR). A copy of the State of New Hampshire's CAFR may be viewed at www.admin.state.nh.us/accounting/.

The type and number of employers contributing to the System during the years ended June 30, 2006 and 2005 are presented below.

EMPLOYERS CONTRIBUTING	2006	2005
State Government	1	1
City Governments	13	13
Town Governments and Related Entities	242	239
County Governments and Related Entities	12	12
School Districts and School Administrative Units	206	204
Total Employers	**474**	**469**

As of June 30, 2006 and 2005, membership data related to the pension plan was as follows:

MEMBERSHIP DATA	2006#	2005
Retirees and beneficiaries currently receiving benefits	19,711	18,950
Terminated employees entitled to benefits but not yet receiving them	1,107	617
Active plan participants	51,738	51,060
Inactive plan participants	4,961	9,880
Total Membership	**77,517**	**80,507**

Information estimated as there was no full actuarial valution prepared as of June 30, 2006.

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. Legislation was enacted during the fiscal year 2005 legislative session that reduced the six year period to two years for those terminating service after June 30, 2006.

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, 2006 for qualified members (and beneficiaries) not eligible for Medicare is $347.74. For those eligible for Medicare, the maximum monthly subsidy is $219.30. The monthly maximum premium is increased each July 1 by 8%.

The following Group I members and their qualified spouses are eligible for coverage under the postretirement medical plan. Also, any certifiably dependent child with a disability living in the household and being cared for by the qualified retired member, member's spouse, or qualified surviving spouse would also qualify:

- Employee and teacher members of political subdivisions who retire on or before July 1, 2008, on Service, Early Service, Vested Deferred or Ordinary Disability retirement would become eligible for the medical subsidy at age 60 with at least 20 years of creditable service; or as early as age 55 with at least 30 years of creditable service.
- Employee and teacher members of political subdivisions who retired on Accidental Disability Retirement on or before July 1, 2004.
- Employee members of the State who retired on or before July 1, 2004, on Service, Ordinary Disability or Vested Deferred Retirement would become eligible for the medical subsidy at age 60 with at least 20 years of creditable service; or as early as age 55 with at least 30 years of creditable service.
- Employee and teacher members of political subdivisions who retire on or before July l, 2008, on Service, Early Service, Vested Deferred or Ordinary Disability retirement after completing at least 20 years of creditable service and who subsequently attain age 60 or after completing at least 30 years of creditable service and who subsequently attain age 55.
- Surviving spouses of deceased employee and teacher members of political subdivisions who die while in service, provided that such surviving spouse was covered as the member's spouse in the employer-sponsored plan before the member's death and is entitled to a monthly allowance under Accidental Death, Ordinary Death, or an Optional Allowance.
- Surviving spouses and children of employee and teacher members of political subdivisions who die as the natural and proximate result of injuries suffered while in the performance of duty. Eligibility for the medical subsidy ceases when the dependent child attains age 18 or age 23, if attending school on a full-time basis, or upon the spouse's remarriage.
- Surviving spouses and children of employee members of the State who died as the natural and proximate result of injuries suffered while in the performance of duty. Payment of the subsidy ceases when (i) the dependent child attains age 18 or age 23, if attending school on a full-time basis, or (ii) the spouse remarries.
- Vested terminated employee members of the State (and spouses) who completed at least 20 years of creditable service and prior to July 1, 2004 receives an allowance and who subsequently attainags age 60.

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- Employee members of the State (and spouses) who retire after completing at least 20 years of creditable service and who subsequently attains age 60 before July 1, 2004 or after completing at least 30 years of creditable service and who subsequently attains age 55 before July 1, 2004.
- Surviving spouses of deceased employee members of the State who died while in service on or before July 1, 2004, provided that such surviving spouse was covered as the member's spouse in the employer-sponsored plan before the member's death and is entitled to a monthly allowance under Accidental Death, Ordinary Death, or an Optional Allowance

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, 2006, there were 6,436 Group I and 2,314 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, 2005, from which the summarized information was derived. Certain amounts for fiscal year 2005 have been reclassified to conform to the fiscal year 2006 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 as estimated by the System. This estimated fair value is determined in good faith by the System and is based on the System's ownership in the underlying alternative investments. Cash and cash equivalents are valued at cost which reflects approximate fair value. Cash and cash equivalents primarily represent investments in the pooled short term investment funds managed by the System's custodian. These funds invest mainly in high-grade money market instruments with maturity averaging less than three months. These funds provide daily liquidity and allow the Board to reinvest these funds to other asset classes.

The System 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. The following table shows capital asset activity for the year ended June 30, 2006.

	Beginning Balance	Additions	Deletions	Ending Balance
Computer Systems and Software Equipment	$6,984	—	—	$6,984
Equipment	—	$ 517	—	517
Subtotal	6,984	517	—	7,501
Less: Accumulated Depreciation	(1,397)	(1,423)	—	(2,820)
Total	$5,587	$(906)	—	$4,681

OPERATING LEASE

In fiscal year 2006, the system entered into a ten (10) year non-cancelable operating lease for approximately 35,850 square feet of office space located in Concord, NH. Upon the termination of the original ten year lease period, the System has four (4) separate options to renew with each separate option extending for a five (5) year period. In addition, the System has the right of first offer to lease additional space in the property and also has a right of first offer to purchase the property.

The System recorded rental expense of $114,222 in fiscal year ended June 30, 2006. $91,674 was expended on the System's prior lease which was terminated during the fiscal year. Future minimum lease payments under this non-cancelable operating lease is shown in the table below:

Fiscal Year Ended:	
June 30, 2007	$ 215,100
June 30, 2008	$ 215,100
June 30, 2009	$ 215,100
June 30, 2010	$ 215,100
June 30, 2011	$ 221,823
June 30, 2012–2016	$1,189,794
Total Remaining Lease Payments	$2,272,017

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

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.

CUSTODIAL CREDIT RISK — DEPOSITS

Custodial credit risk for deposits is the risk that in an event of a bank failure, the System's deposits may not be recovered. The System does not have a formal deposit policy to manage custodial credit risk on deposits.

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At June 30, 2006 and June 30, 2005, the System held deposits of $2,348,345 and $ 8,385,578, respectively, in the System's local custodian bank. These deposits are used to support the daily working capital needs of the System. The following schedule shows the System's exposure to custodial credit risk at June 30, 2006 and June 30, 2005.

(in thousands)

	June 30 2006	June 30 2005
Insured	$ 100	$ 100
Uninsured and uncollateralized	$2,248	$8,286
Total Deposits	$2,348	$8,386

CUSTODIAL CREDIT RISK — INVESTMENTS

Investment securities are exposed to custodial credit risk if the investment securities are uninsured, are not registered in the name of the System, and are held by either:

a. The counterparty or

b. The counterparty's trust department or agent but not in the System's name.

The System does not have a policy to control custodial credit risk on investments. All marketable investments of the System are held by the System's master custodian. At June 30, 2006 and 2005, there were no investment securities held by the System's master custodian that were uninsured and not registered in the System's name.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributable to the magnitude of the System's investments in a single issuer. The System's investment policy limits investments in a single issuer to 5% of investments in order to control the overall risk of loss on a total portfolio level. Although the System may permit latitude to an individual investment manager to exceed the 5% limit, the goal of the System is to maintain a broadly diversified investment portfolio and to limit investments on a total portfolio level to a concentration less than 5% in any single issuer.

At June 30, 2006 and June 30, 2005, there were no securities held in the System's investment portfolio that exceeded 5% in a single issuer.

INTEREST RATE RISK — FIXED INCOME INVESTMENTS:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income investments. The System manages interest rate risk by requiring that each individual fixed income portfolio have a weighted modified duration within an 80%–120% band of the modified duration of the appropriate benchmark index. Modified duration is a measurement of the price sensitivity of a fixed income investment to interest rate movements. The System believes that the modified duration of the fixed income portfolio is in compliance with the System's duration policy. However, due to wide variations for the modified duration calculations, the System is unable to present a schedule showing the modified duration of the fixed income portfolio at June 30, 2006.

The System has chosen to disclose the segmented time distribution schedule shown below to illustrate the System's interest rate risk exposure at June 30, 2006 and 2005. This schedule groups fixed income investment maturities into sequential time periods. Fixed income investments with maturity dates farther out into the future are generally more sensitive to interest rate risk than fixed income investments with shorter maturity date periods.

SEGMENTED TIME DISTRIBUTION — FIXED INCOME INVESTMENTS AT JUNE 30, 2006 (in thousands)

		Investment Maturities (In Years)			
Investment Type	**Fair Value June 30, 2006**	**Less Than 1 Year**	**1–6 Years**	**6–10 Years**	**10+ Years**
Asset Backed Securities	$ 20,487	$ —	$ 17,175	$ —	$ 3,312
Commercial Mortgage Backed	103,883	—	—	—	103,883
Corporate Bonds	199,401	3,125	67,150	27,369	101,757
Government Agencies	14,342	314	14,028	—	—
Government Bonds	301,499	20,009	123,153	103,093	55,244
Government Mortgage Backed	348,183	—	4,541	4,391	339,251
Municipal/Provincial Bonds	36,280	7,237	16,414	9,813	2,816
Non-Government Backed C.M.O.'s	27,316	—	46	—	27,270
Totals	**$1,051,391**	**$30,685**	**$242,507**	**$144,666**	**$633,533**

SEGMENTED TIME DISTRIBUTION — FIXED INCOME INVESTMENTS AT JUNE 30, 2005

(in thousands)

		Investment Maturities (In Years)			
Investment Type	Fair Value June 30, 2005	Less Than 1 Year	1–6 Years	6–10 Years	10+ Years
Asset Backed Securities	$ 33,874	$ 750	$ 24,435	$ 664	$ 8,025
Commercial Mortgage Backed	101,770	—	5,659	—	96,111
Corporate Bonds	229,886	32,855	69,797	22,868	104,366
Government Agencies	76,444	7,955	53,383	15,106	—
Government Bonds	184,781	50,882	52,384	59,572	21,943
Government Mortgage Backed	298,892	—	6,070	1,671	291,151
Municipal/Provincial Bonds	43,434	1,847	28,821	3,471	9,295
Non-Government Backed C.M.O.'s	17,962	—	370	—	17,592
Totals	**$987,043**	**$94,289**	**$240,919**	**$103,352**	**$548,483**

CREDIT QUALITY RISK-FIXED INCOME SECURITIES:

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The System controls credit quality risk on debt securities by requiring that a minimum of 65% of the total fixed income portfolio have Standard & Poor's credit quality rating of "A" or better.

The following schedules show the System's fixed income investments as of June 30, 2006 and 2005, including the distribution of those investments by Standard & Poor's quality credit ratings.

CREDIT QUALITY RISK-FIXED INCOME SECURITIES AT JUNE 30, 2006

(in thousands)

		Quality Ratings				
Investment Type	Fair Value June 30, 2006	AAA	AA	A	BBB or Lower	Unrated
Asset Backed Securities	$ 20,487	$ 20,487	—	—	—	—
Commercial Mortgage Backed	103,883	90,155	—	—	—	$13,728
Corporate Bonds	199,401	4,936	$23,789	$56,485	$ 99,593	13,463
Government Agencies	14,342	14,152	—	190	—	—
Government Bonds*	122,842	65,997	—	13,085	10,567	33,193
Government Mortgage Backed*	328,179	328,179	—	—	—	—
Municipal/Provincial Bonds	36,280	24,726	11,554	—	—	—
Non-Government Backed C.M.O.'s	27,316	27,316	—	—	—	—
Totals	**$852,730**	**$575,948**	**$35,343**	**$69,760**	**$111,295**	**$60,384**
Percent of Total Fair Value		**67.5%**	**4.1%**	**8.2%**	**13.1%**	**7.1%**

*Government bonds ($178,657) and Government mortgage backed ($20,004) exclude U.S. government securities and securities explicitly guaranteed by the U.S. government because these securities are not considered to have credit risk.

CREDIT QUALITY RISK-FIXED INCOME SECURITIES AT JUNE 30, 2005

(in thousands)

		Quality Ratings				
Investment Type	Fair Value June 30, 2005	AAA	AA	A	BBB or Lower	Unrated
Asset Backed Securities	$ 33,874	$ 33,462	—	—	—	$ 412
Commercial Mortgage Backed	101,770	87,283	—	—	—	14,487
Corporate Bonds	229,886	8,891	$32,821	$67,907	$114,907	5,360
Government Agencies	76,444	76,444	—	—	—	—
Government Bonds*	94,129	57,235	3,454	25,465	7,975	—
Government Mortgage Backed*	280,670	280,670	—	—	—	—
Municipal/Provincial Bonds	43,434	25,497	11,760	6,177	—	—
Non-Government Backed C.M.O.'s	17,962	17,618	—	—	—	344
Totals	**$878,169**	**$587,100**	**$48,035**	**$99,549**	**$122,882**	**$20,603**
Percent of Total Fair Value		**66.9%**	**5.5%**	**11.3%**	**14.0%**	**2.3%**

*Government bonds ($90,652) and Government mortgage backed ($18,222) exclude U.S. government securities and securities explicitly guaranteed by the U.S. government because these securities are not considered to have credit risk.

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FOREIGN CURRENCY RISK — INVESTMENTS:

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

The System manages its foreign currency risk primarily through its strategic asset allocation policy guidelines. Investments in international equity securities have a target asset allocation of 16% of total investments with an acceptable target range of 12–20%. Global fixed income securities have a target asset allocation of 4% of total investments within an acceptable target range of 2–6%. Foreign investments in the alternative asset class which include venture capital, buyout funds, timber and absolute return strategy investments are permitted. However, the System's investment policy does not set limits for foreign investments in this asset class. Up to 20% of the System's non-core opportunistic commercial real estate allocation may be invested in international investments.

In addition, the System's manages its foreign currency risk exposure by requiring that the international securities investment managers maintain diversified portfolios by country, sector and by issuer to limit both foreign currency risk and security risk. International investment managers may also use foreign currency forward contracts to hedge against foreign currency risk

The System's exposure to foreign currency risk at June 30, 2006 and 2005 is presented on the following schedules:

FOREIGN CURRENCY RISK — INTERNATIONAL INVESTMENTS AT JUNE 30, 2006 (in thousands)

Currency	Equity	Fixed Income	Alternative Investments	Cash and Cash Equivalents	Totals
Marketable Investments:					
Japanese yen	$200,792	—	$ 2,499	—	$203,292
Euro	122,334	$ 21,353	—	—	143,687
British pound sterling	80,854	9,498	405	—	90,757
Australian dollar	23,566	19,225	12,004	—	54,795
Canadian dollar	20,894	23,646	—	$10,164	54,703
New Zealand dollar	—	10,816	31,571	41	42,428
Swiss franc	34,256	—	—	—	34,256
Hong Kong dollar	33,130	—	—	41	33,171
Swedish krona	10,972	14,238	—	—	25,210
Mexican peso	4,596	11,811	—	511	16,918
Singapore dollar	—	15,928	—	—	15,928
Polish zloty	—	12,924	—	734	13,658
South Korean won	12,687	577	—	—	13,264
Danish krone	11,212	—	—	—	11,212
Brazilian real	4,176	6,389	—	—	10,565
Norwegian krone	9,206	—	—	—	9,206
Indonesian rupiah	—	4,676	—	—	4,676
Thai baht	—	4,464	—	—	4,464
South African rand	1,798	1,935	—	—	3,733
Malaysian ringgit	—	3,713	—	—	3,713
Argentine peso	—	734	—	12	746
Hungarian forint	620	—	—	—	620
Total investments subject to foreign currency risk	**571,093**	**161,927**	**46,479**	**11,503**	**791,002**
United States dollars (securities held by international investment managers)	81,299	16,650	—	1,339	99,288
Total International Investments	**$652,392**	**$178,577**	**$46,479**	**$12,842**	**$890,290**

FOREIGN CURRENCY RISK — INTERNATIONAL INVESTMENTS AT JUNE 30, 2005 (in thousands)

Currency	Equity	Fixed Income	Alternative Investments	Cash and Cash Equivalents	Totals
Marketable Investments:					
Euro	$119,606	$ 21,434	—	—	$141,040
Japanese yen	123,951	—	—	—	123,951
British pound sterling	69,006	9,864	$ 2,138	—	81,008
Australian dollar	17,557	21,294	13,783	—	52,634
Canadian dollar	11,597	22,467	—	$17,938	52,002
New Zealand dollar	—	10,988	40,770	—	51,758
Hong Kong dollar	26,030	—	—	14	26,044
Swiss franc	22,378	—	—	—	22,378
Singapore dollar	3,508	12,969	—	—	16,477
Mexican peso	3,549	12,106	—	539	16,194
Polish zloty	—	12,870	—	—	12,870
Swedish krona	9,406	991	—	—	10,397
South Korean won	9,878	—	—	—	9,878
Danish krone	7,492	—	—	—	7,492
Norwegian krone	5,473	311	—	—	5,784
Thai baht	—	2,471	—	—	2,471
Brazilian real	—	1,161	—	—	1,161
Argentine peso	—	—	—	3	3
Total investments subject to foreign currency risk	**429,431**	**128,926**	**56,691**	**18,494**	**633,542**
United States dollars (securities held by international investment managers)	87,648	26,199	—	—	113,847
Total International Investments	**$517,079**	**$155,125**	**$56,691**	**$18,494**	**$747,389**

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, 2006 and June 30, 2005, the System had $148.2 million (2.9%) and $54.3 million (1.2%) 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, 2006 are shown below.

OPEN FOREIGN CURRENCY EXCHANGE CONTRACTS (in thousands)

	Fair Value	Aggregate Cost Value	Delivery Dates	Unrealized Appreciation	Unrealized (Depreciation)
Foreign currency exchange contracts purchased:					
Japanese Yen	$64,337	$63,598	07/3/06–07/21/06	$ 739	—
Thai Baht	2,859	2,900	09/27/06	—	(41)
Australian dollar	282	280	08/25/06	2	—
Foreign currency exchange contracts sold:					
Euro	$37,855	$36,311	07/03/06–10/04/06	—	($1,544)
Australian Dollar	19,331	19,658	08/25/06	327	—
Mexican Peso	8,445	8,483	12/06/06	38	—
British Pound Sterling	7,257	7,300	12/05/06	43	—
New Zealand Dollar	5,482	5,591	08/25/06	109	—
Totals				**$1,258**	**($1,585)**

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, 2006, there was $0.6 million invested in options and no investments in futures. At June 30, 2005, there were no investments in futures or options.

Based upon the 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.

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, the System feels 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, 2006 and June 30, 2005 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 Co-operation 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 101.7% for U.S. securities and 103.7% for non-U.S. securities at June 30, 2006 and 102.4% for U.S. securities and 104.9% for non-U.S. securities at June 30, 2005. 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.

The fair value of securities on loan, the collateral held, and the security lending income as of June 30, 2006 and June 30, 2005 are presented below.

SECURITIES LENDING ACTIVITIES	($ in millions)	
	2006	**2005**
Fair Value of U.S. and Non-U.S. Securities on Loan	$1,022.8	$772.4
Collateral Held Against U.S. and Non-U.S. Securities	$1,047.2	$798.3
Ratio of Collateral held to Loan Securities	102.4%	103.4%
Net Income From Securities Lending Program	$ 2.346	$0.951

The System did not incur any losses on loaned securities during the fiscal years ended June 30, 2006 and June 30, 2005. 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, 2006 and June 30, 2005 were $829.7 million and $565.2 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.

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, 2005 ACTUARIAL VALUATION

Changes in actuarial assumptions for fiscal year 2006:

Actuarial valuations are performed biannually. There have been no changes in actuarial assumptions since the last actuarial valuation was performed as of June 30, 2005.

Legislation was enacted in the 2006 legislation session which:

(a) Requires employers to maintain and make available to NHRS upon request proof of appropriate certification by the Department of Education or appropriate professional licensure for all individuals enrolled in NHRS as "teacher members."

(b) Makes various "housekeeping" changes to RSA 100-A including modifications to the definitions of "Employer," "Prior Service" and "Accumulated Contributions," deleting the gainful occupation reporting requirement for disabled call, substitute and volunteer firemen, deleting an obsolete section regarding permitted earnings for certain retirees, and clarifying provisions regarding creditable service, the medical subsidy and financing.

(c) Simplifies determination of benefits upon retirement after restoration to service, adds direct rollover provisions required by the Internal Revenue Code, conforms statute to practice and longstanding policy regarding COLAs, eliminates Board of Trustees subcommittees and provisions regarding the former position of director of finance, clarifies the opt-out election and service for medical subsidy eligibility under modifications, harmonizes provisions regarding interest, clarifies

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criteria for required NHRS membership, and permits certain active members to purchase up to 5 years of nonqualified permissive service credit.

(d) Amends the definition of "public academy."

(e) Deals with the administration of the hospitalization plan for state retirees.

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

(f) Provides a 1.0% COLA for Employees, Teachers, Police Officers and Firefighters who retired prior to July 1, 2005, effective July 1, 2006.

Item (f) 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 $26.9 million. Items (a), (b), (c), (d) and (e) will have no effect on the normal rate.

Changes in actuarial assumptions that were reflected in the June 30, 2005 actuarial valuation:

The postretirement mortality assumption for Teachers and the demographic and economic assumptions for all membership classifications were revised to more closely reflect the actual experience of the System. This change will increase or (decrease) the open group aggregate normal contribution rates by .70% for Employees, 1.12% for Teachers, 2.16% for Police Officers and .15% for Firefighters.

The estimated long-term rate of return on current and future investments of the System and the discount rate used to determine the present value of future pension payments were reduced during fiscal year 2005 from 9.0% to 8.5%. The June 30, 2005 actuarial valuation determines the funded ratios as of June 30, 2005 and the contribution requirements for fiscal years ending June 30, 2008 and June 30, 2009. As a result of this change, the funded ratio for the fiscal year ended June 30, 2005 decreased by approximately 3.6%.

Legislation was enacted in the 2005 legislative session which:

(a) Establishes a committee to study the Special Account in the System and to propose the most appropriate way for increasing Special Account balances.

(b) Reduces to two years the number of years of absence from service before a member is no longer a member and the member's accumulated contributions are returned.

(c) Allows the System to be exempt from having to purchase supplies through the director of plant and property management.

(d) Grants the Board of Trustees the powers, privileges and immunities of a corporation in managing the System

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 1.5% COLA for Firefighters who retired prior to July 1, 2004, effective July 1, 2005.

Items (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 $26.3 million. Items (a), (b), (c) and (d) will have no 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 41, 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 results from the open group aggregate cost method are based on a 9% interest rate for fiscal years prior to July 1, 2007 and an 8.5% interest rate for fiscal years beginning on or after July 1, 2007. The results from the open group aggregate cost method for fiscal years beginning on or after July 1, 2003 and ending June 30, 2005 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. The results from the open group aggregate cost method for fiscal years beginning on or after July 1, 2005 cannot be less than the normal rate determined to produce a funding ratio of 115% over a 30 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, 2006 is $2,141.0 million and the annual covered payroll for the fiscal year ended June 30, 2005 was $2,043.6 million.

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

	(FY 2006)				(FY 2005)			
	Member Normal	Employer Normal Share#			Member Normal	Employer Normal Share#		
Member Category	Share	State	Local	Total	Share	State	Local	Total
Employees								
State	5.00%	6.81%	—	6.81%	5.00%	5.90%	—	5.90%
Local	5.00%	—	6.81%	6.81%	5.00%	—	5.90%	5.90%
Teachers	5.00%	2.00%	3.70%	5.70%	5.00%	1.42%	2.64%	4.06%
Police Officers	9.30%	5.22%	9.68%	14.90%	9.30%	4.24%	7.87%	12.11%
Firefighters	9.30%	7.73%	14.36%	22.09%	9.30%	7.24%	13.44%	20.68%

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

AMOUNTS CONTRIBUTED*

(in thousands)

	(FY 2006)			(FY 2005)		
Member Category	Member Normal Share	Employer Normal Share#	Total Contributions	Member Normal Share	Employer Normal Share#	Total Contributions
Employees	$ 58,476	$ 62,204	$120,680	$ 58,091	$ 51,281	$109,372
Teachers	58,978	51,521	110,499	56,406	36,073	92,479
Police Officers	21,691	34,875	56,566	22,032	26,543	48,575
Firefighters	8,676	22,221	30,897	9,177	19,157	28,334
Total Contributed	**$147,821**	**$170,821**	**$318,642**	**$145,706**	**$133,054**	**$278,760**

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

\# Employer normal contributions include $61,449 and $43,595 for the years ended June 30, 2006 and 2005, respectively, that were transferred from the Medical Special Account to the pension plan.

AMOUNTS CONTRIBUTED EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL

	(FY 2006)			(FY 2005)		
Member Category	Member Normal Share	Employer Normal Share	Total	Member Normal Share	Employer Normal Share	Total
Employees	6.30%	6.70%	13.00%	6.61%	5.83%	12.44%
Teachers	6.66%	5.81%	12.47%	6.62%	4.24%	10.86%
Police Officers	9.42%	15.14%	24.56%	9.95%	11.98%	21.93%
Firefighters	9.03%	23.13%	32.16%	10.08%	21.05%	31.13%
Total Contributed	**6.90%**	**7.98%**	**14.88%**	**7.13%**	**6.51%**	**13.64%**

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

	(FY 2006)				(FY 2005)			
	Member Normal	Employer Normal Share			Member Normal	Employer Normal Share		
Member Category	Share	State	Local	Total	Share	State	Local	Total
Employees								
State	—	2.03%	—	2.03%	—	1.81%	—	1.81%
Local	—	—	2.03%	2.03%	—	—	1.81%	1.81%
Teachers	—	0.67%	1.23%	1.90%	—	0.47%	0.88%	1.35%
Police Officers	—	1.74%	3.23%	4.97%	—	1.41%	2.62%	4.03%
Firefighters	—	2.58%	4.78%	7.36%	—	2.41%	4.48%	6.89%

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 2006 was performed as part of the interim June 30, 2004 actuarial valuation of the System and was based on the open group aggregate method and a 9% interest assumption for fiscal years prior to July 1, 2007. For fiscal years on or after July 1, 2007 the interest rate is 8.5%. 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 and ending June 30, 2005 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. The normal rates determined using the open group aggregate for fiscal years on or after July 1, 2005 cannot be less than the normal rate determined to produce a funding ratio of 115% over a 30 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 2006 and 2005 fiscal years were based on the interim June 30, 2004 and June 30, 2001 actuarial valuations, respectively.

A reconciliation of the normal rates determined in the June 30, 2004 interim valuation to the normal rates determined in the June 30, 2005 valuation based on the target rate funding method 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, 2004 interim actuarial valuation.

Reconciliation of the Actuarial Projected Employer Normal Contribution Rates

	Employees	Teachers	Police Officers	Firefighters
Employer Normal Rates as Determined by 6/30/2004 Interim Valuation#	6.81%	5.70%	14.90%	22.09%
Assets Different than Expected	(0.09)	(0.12)	(0.08)	(0.94)
Assumption Changes*	1.53	2.24	3.61	3.08
Target Rate System Experience	0.64	1.29	0.12	0.61
Balancing Items	(0.15)	(0.18)	(0.34)	(0.35)
Employer Normal Rates as Determined by 6/30/2005 Valuation##	8.74%	8.93%	18.21%	24.49%

This reconciliation is based on the target rate method.
\# Based on a 9.0% interest rate.
\## Based on an 8.5% interest rate.
* Includes new entrant population assumption changes.

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

NET ASSETS HELD IN TRUST FOR BENEFITS	(in thousands)	
	JUNE 30	
	2006	2005
Employees	$1,375,070	$1,248,802
Teachers	1,777,053	1,635,457
Police Officers	818,165	747,315
Firefighters	383,270	348,328
Special Account	312,838	302,770
Medical Special Account	308,074	338,834
401(h) Subtrust	137,786	107,084
TOTAL NET ASSETS HELD IN TRUST FOR BENEFITS	**$5,112,256**	$4,728,590

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 8.5% for the year ended June 30, 2006 and 9.0% for the year ended June 30, 2005. Therefore, earnings in excess of 9.0% and 9.5% respectively, if any, have been credited to the Special Account.

As of June 30, 2006, the balance of the Special Account was $312.8 million. The comparable figure for June 30, 2005 was $302.8 million. Legislation costing $26.9 million that was enacted during the 2006 legislative session, with an effective date after June 30, 2006, 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 $153.3 million and $154.8 million respectively, as of June 30, 2006.

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.

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS—PENSION PLAN (UNAUDITED)

Fiscal Year	Classification	Annual Required Contribution (ARC)* (in thousands)	Percent of ARC Recognized as Contributions
2006	Employees	$62,041	100.00%
	Teachers	51,459	100.00%
	Police Officers	34,860	100.00%
	Firefighters	22,218	100.00%
2005	Employees	51,028	100.00%
	Teachers	36,027	100.00%
	Police Officers	26,542	100.00%
	Firefighters	19,157	100.00%
2004	Employees	48,222	100.00%
	Teachers	32,563	100.00%
	Police Officers	24,609	100.00%
	Firefighters	17,966	100.00%
2003	Employees	32,413	100.00%
	Teachers	31,032	100.00%
	Police Officers	16,454	100.00%
	Firefighters	8,359	100.00%
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%

*Includes unfunded accrued liability contributions and amounts transferred from the Medical Special Account to the Pension Plan, excludes oversight contributions.

See Notes to Required Supplementary Information below.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (TREND DATA)

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

Valuation Date:
Schedule of Employer Contributions—FY 2006 . . . . June 30, 2004.
Actuarial Cost Method: . . . . Open group aggregate. The open group aggregate funding method does not identify or separately amortize unfunded actuarial liabilities. For purposes of determining contributions for fiscal years 2003 and prior, the results of the open group aggregate method cannot be less than the normal rates required to maintain a funded ratio of 130% over a 20 year horizon and an 8% interest rate. For purposes of determining contributions for fiscal years 2005 and 2006, the results of the open group aggregate method cannot be less than normal rates required to maintain a funded ration of 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%.

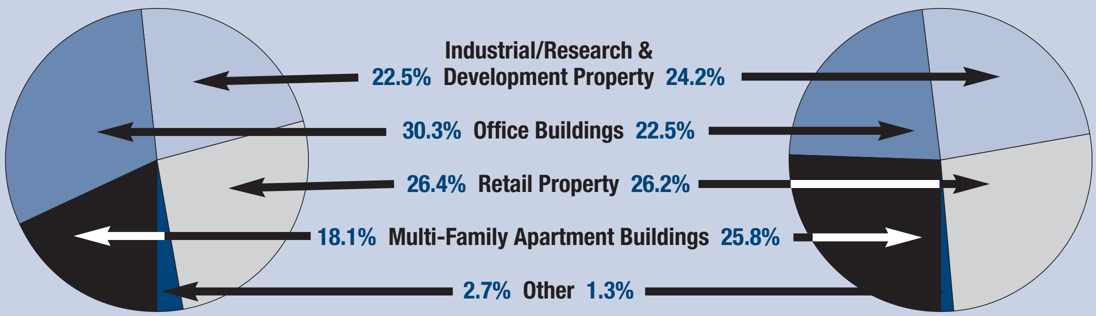
COMMERCIAL REAL ESTATE INVESTMENTS BY TYPE

(in thousands)

	JUNE 30 2006	2005
Office Buildings	$121,580	$ 78,220
Multi-Family Apartment Buildings	72,772	89,406
Retail Property	105,768	90,950
Industrial/Research & Development Property	90,018	84,055
Other	10,762	4,423
TOTAL COMMERCIAL REAL ESTATE INVESTMENTS BY TYPE	**$400,900**	**$347,054**

Property Type Diversification

At June 30, 2006 At June 30, 2005



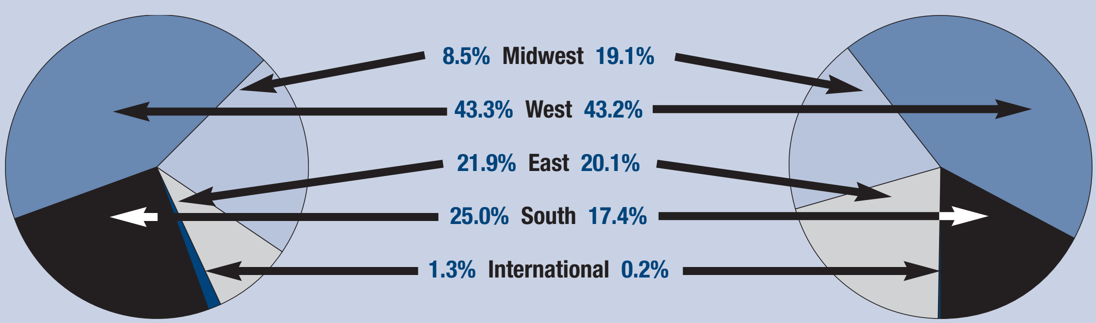
COMMERCIAL REAL ESTATE INVESTMENTS BY LOCATION

(in thousands)

	JUNE 30 2006	2005
West	$174,001	$149,768
East	87,710	69,740
South	100,278	60,421
Midwest	33,893	66,190
International	5,018	935
TOTAL COMMERCIAL REAL ESTATE INVESTMENTS BY LOCATION	**$400,900**	**$347,054**

Property Location Diversification

At June 30, 2006 At June 30, 2005



ALTERNATIVE INVESTMENTS	(in thousands)	
	JUNE 30	
	2006	2005
Venture Capital:		
Early Stage	$ 37,188	$ 29,793
Balanced Stage	98,121	97,448
Late Stage	6,435	6,210
Buyout Funds:		
Small Buyouts	5,596	18,464
Medium Buyouts	4,236	3,834
Large Buyouts	5,327	6,455
Natural Resources	399	3,385
Mezzanine Capital	1,017	1,191
Distressed Debt	14,424	6,028
Timberfunds:		
Domestic	22,044	20,666
International	74,739	83,614
Absolute Return Strategies	67,374	106,735
TOTAL ALTERNATIVE INVESTMENTS	**$336,900**	**$383,823**

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CONTRIBUTIONS	(in thousands)	
	YEAR ENDED JUNE 30	
	2006	2005
CONTRIBUTIONS—PENSION PLAN		
EMPLOYER CONTRIBUTIONS:		
Employees	$41,503	$ 33,655
Teachers	19,830	16,636
Police Officers	16,771	13,416
Firefighters	8.877	8,688
TOTAL EMPLOYER CONTRIBUTIONS	**86,981**	**72,395**
STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS:		
Employees	—	—
Teachers	11,833	8,302
Police Officers	5,694	4,437
Firefighters	4,864	4,325
TOTAL STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS	**22,391**	**17,064**
PLAN MEMBER CONTRIBUTIONS:		
Employees	58,476	58,091
Teachers	58,978	56,406
Police Officers	21,691	22,032
Firefighters	8,676	9,177
TOTAL PLAN MEMBER CONTRIBUTIONS	**147,821**	**145,706**
TOTAL CONTRIBUTIONS—PENSION PLAN	**257,193**	**235,165**

CONTRIBUTIONS—POSTRETIREMENT MEDICAL PLAN		
EMPLOYER NORMAL:		
Employees	20,701	17,626
Teachers	13,943	6,984
Police Officers	9,563	6,472
Firefighters	6,048	3,982
TOTAL EMPLOYER NORMAL CONTRIBUTIONS	**50,255**	**35,064**
STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS:		
Employees	—	—
Teachers	5,915	4,151
Police Officers	2,847	2,218
Firefighters	2,432	2,162
TOTAL STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS	**11,194**	**8,531**
TOTAL CONTRIBUTIONS—POSTRETIREMENT MEDICAL PLAN	**61,449**	**43,595**
TOTAL CONTRIBUTIONS	**$318,642**	**$278,760**

NET APPRECIATION IN FAIR VALUE OF INVESTMENTS (in thousands)

	YEAR ENDED JUNE 30 2006	2005
Equity Investments:		
Domestic	$198,930	$134,233
International	128,274	48,922
Fixed Income Investments:		
Domestic	(43,755)	26,568
Global	(973)	12,761
Commercial Real Estate	45,403	63,262
Alternative Investments:		
Venture Capital Funds	11,684	(1,607)
Buyout Funds	4,230	6,521
Mezzanine Funds	343	22
Natural Resource Funds	64	2,172
Distressed Debt Funds	263	234
Timberfunds	4,448	9,892
Absolute Return Strategies	3,751	2,619
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	**$352,662**	**$305,669**

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INTEREST INCOME	(in thousands)	
	YEAR ENDED JUNE 30	
	2006	2005
Fixed Income Investments:		
Domestic	$46,342	$42,840
Global	8,985	8,612
Cash and Cash Equivalents	2,928	1,336
TOTAL INTEREST INCOME	**$58,255**	**$52,788**

DIVIDEND INCOME	(in thousands)	
	YEAR ENDED JUNE 30	
	2006	2005
Equity Investments:		
Domestic	$42,012	$40,943
International	12,408	10,113
TOTAL DIVIDEND INCOME	**$54,420**	**$51,056**

ALTERNATIVE INVESTMENT INCOME (LOSS)	(in thousands)	
	YEAR ENDED JUNE 30	
	2006	2005
Venture Capital Funds	($ 945)	($1,382)
Buyout Funds	245	(223)
Mezzanine Funds	20	19
Natural Resource Funds	(133)	968
Distressed Debt Funds	(21)	(620)
Timberfunds	(7,356)	4,481
Absolute Return Strategies	6,442	3,582
TOTAL ALTERNATIVE INVESTMENT INCOME	**($1,748)**	**$6,825**

COMMERCIAL REAL ESTATE INVESTMENTS INCOME AND EXPENSES

(in thousands)

	INCOME YEAR ENDED JUNE 30		EXPENSE YEAR ENDED JUNE 30		NET INCOME YEAR ENDED JUNE 30	
	2006	2005	2006	2005	2006	2005
Office Buildings	$13,800	$16,792	$ 9,059	$10,618	$ 4,741	$6,174
Multi-Family Apartment Buildings	10,290	15,971	6,454	10,961	3,836	5,010
Retail Property	9,547	11,529	4,062	5,807	5,485	5,722
Industrial/Research & Development Property	8,260	10,595	2,648	3,992	5,612	6,603
Other	1,205	155	262	104	944	51
TOTAL	**$43,102**	**$55,042**	**$22,485**	**$31,482**	**$20,618**	**$23,560**

INVESTMENT ACTIVITY FEES AND OTHER INVESTMENT RELATED EXPENSES

(in thousands)

	YEAR ENDED JUNE 30 2006	2005
INVESTMENT ACTIVITY FEES:		
Equity Investments:		
Domestic	$11,552	$12,033
International	3,359	2,268
Fixed Income Investments:		
Domestic	2,345	2,157
Global	627	606
Alternative Investments:		
Venture Capital Funds	2,914	4,101
Buyout Funds	426	381
Mezzanine Funds	12	25
Natural Resource Funds	149	292
Distressed Debt Funds	355	789
Timberfunds	627	625
Absolute Return Strategies	755	802
Commercial Real Estate	2,187	1,989
Custodial Fees	444	667
Investment Advisor Fees	602	420
TOTAL INVESTMENT ACTIVITY FEES	**26,354**	**27,155**
OTHER INVESTMENT RELATED EXPENSES:		
Securities Lending Borrower Rebates	26,174	8,593
Securities Lending Management Fees	587	257
TOTAL INVESTMENT ACTIVITY FEES AND OTHER INVESTMENT RELATED EXPENSES	**$53,114**	**$36,005**

BENEFITS	(in thousands)	
	YEAR ENDED JUNE 30	
	2006	2005
PENSION BENEFITS AND ADDITIONAL ALLOWANCES:		
Employees	$105,957	$ 99,766
Teachers	120,340	108,345
Police Officers	57,743	53,709
Firefighters	32,597	30,095
TOTAL PENSION BENEFITS AND ADDITIONAL ALLOWANCES	**$316,637**	**$291,915**
POSTRETIREMENT HEALTH INSURANCE PREMIUM SUBSIDY:		
Employees	$ 14,689	$ 13,643
Teachers	14,575	12,350
Police Officers	7,892	7,155
Firefighters	4,483	4,054
TOTAL POSTRETIREMENT HEALTH INSURANCE PREMIUM SUBSIDY	**$ 41,639**	**$ 37,202**
TOTAL BENEFITS	**$358,276**	**$329,117**

REFUNDS OF CONTRIBUTIONS	(in thousands)	
	YEAR ENDED JUNE 30	
	2006	2005
Employees	$14,599	$10,436
Teachers	10,840	6,036
Police Officers	3,414	2,853
Firefighters	529	666
TOTAL REFUNDS OF CONTRIBUTIONS	**$29,382**	**$19,991**

ADMINISTRATIVE EXPENSES

(in thousands)

	2006 EXPENSE	2006 BUDGET*	OVER (UNDER) BUDGET	2005 EXPENSE	2005 BUDGET*	OVER (UNDER) BUDGET
Salaries and Wages	$2,497	$2,841	($ 344)	$2,187	$2,208	($ 21)
Fringe Benefits	974	1,382	(408)	981	877	104
Supplies, Utilities and Postage	335	380	(45)	293	535	(242)
Organizational Dues	10	10	—	6	8	(2)
Equipment	43	77	(34)	152	278	(126)
Travel	57	52	5	34	75	(41)
State Services	72	113	(41)	64	98	(34)
Office Rents and Expenses	252	405	(153)	249	439	(190)
Computer Support and System Development	830	1,350	(520)	666	2,614**	(1,948)
Consulting	204	267	(63)	138	201	(63)
Unemployment Compensation	8	8	—	4	5	(1)
Workers Compensation	2	15	(13)	3	6	(3)
TOTAL	**$5,284**	**$6,900**	**($1,616)**	**$4,777**	**$7,344**	**($2,567)**

* 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.

** Computer support and system development costs capitalized in fiscal year 2005 was $1.6 million.

PROFESSIONAL FEES

(in thousands)

	YEAR ENDED JUNE 30 2006	2005
Actuarial Fees	$ 249	$400
Audit Fees	146	197
Legal Fees	668	184
TOTAL PROFESSIONAL FEES	**$1,063**	**$781**

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MEMBERSHIP COMPOSITION

	JUNE 30 2006#	JUNE 30 2005
ACTIVE CONTRIBUTING MEMBERS:		
Employees	26,764	26,414
Teachers	18,719	18,474
Police Officers	4,636	4,573
Firefighters	1,619	1,599
TOTAL ACTIVE CONTRIBUTING MEMBERS	**51,738***	**51,060***
RETIRED MEMBERS:		
Employees	10,373	9,973
Teachers	6,141	5,904
Police Officers	2,093	2,012
Firefighters	1,104	1,061
TOTAL RETIRED MEMBERS	**19,711**	**18,950**

Information estimated as there was no full actuarial valuation prepared as of June 30, 2006

* Excludes inactives.

PAYMENTS FROM THE STATE GENERAL FUND

(in thousands)

	YEAR ENDED JUNE 30 2006	YEAR ENDED JUNE 30 2005
State Share of Normal Contributions for Local Employers	$33,585	$25,595
State Payments for Health Insurance for Retired State Members	31,618	28,538
TOTAL STATE GENERAL FUND PAYMENTS EXCLUSIVE OF NORMAL CONTRIBUTIONS FOR STATE MEMBERS	**$65,203**	**$54,133**

Investment Section

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Investment Consultant's Letter

ENNISKNUPP
25 Years

November 6, 2006

The Board of Trustees
The Executive Director
The New Hampshire Retirement System
54 Regional Drive
Concord, NH 03301-8507

Dear Trustees and Executive Director:

Ennis Knupp + Associates (EnnisKnupp) is pleased to report the results of the New Hampshire Retirement System (NHRS) investment program for the fiscal year ended June 30, 2006. EnnisKnupp was appointed as the investment consultant to the NHRS effective January 1, 2006 and has relied upon the information developed by the prior investment consultant in our work for fiscal year 2006.

The goal of the NHRS investment program is to meet the long term funding requirements of the pension plan and to provide retirement benefits to members and beneficiaries. To support this objective, the NHRS maintains policies and guidelines that govern the investment program including a proxy voting policy. The Statement of Investment Policy sets specific investment objectives, performance standards and portfolio guidelines for the Total Fund and each of the asset classes. The NHRS is invested across an array of asset classes with varying risk and return characteristics as directed by the Statement of Investment Policy. In total, the NHRS has a well-diversified investment program.

During the fiscal year, the Investment Committee embarked upon a thorough review of the investment program beginning with a study of the relationship between the liabilities and the supporting assets. Any changes in the investment program or policies resulting from this review will be implemented in fiscal year 2007.

For fiscal year 2006 the Total Fund returned 10.0%, ahead of the Total Fund Custom Index which returned 9.8% for the same period. The Total Fund Custom Index is composed of the individual asset class benchmarks in the same proportion as the target asset class allocations. The Annual Report contains additional information on the composition and performance of the full NHRS investment program.

Investment measurements and comparisons produced by EnnisKnupp have been made using standard performance evaluation methods, and results are presented in a manner consistent with the investment industry in general and public pension funds in particular. Rates of return were determined using a modified time-weighted return calculation and are net of investment management fees.

Sincerely,

Ennis Knupp + Associates

Ennis Knupp + Associates
10 South Riverside Plaza, Suite 1600
Chicago, Illinois 60606-3709

voa 312 715 1700
fax 312 715 1952
www.ennisknupp.com

ANNUALIZED INVESTMENT RETURNS—ACTUAL VERSUS INDICES

	Current Year 2006	Annualized 3 Year	5 Year
Total NHRS Fund	10.0%	11.4%	5.6%
Total Fund Custom Index*	9.8	11.7	6.1
Domestic Equity	9.7	12.6	3.0
Russell 3000 Index	9.6	12.6	3.5
International Equity	28.6	22.7	9.4
MSCI ACWI (ex U.S.) Index	27.9	25.3	11.4
Domestic Fixed Income	0.0	3.2	6.0
Lehman Brothers Universal Bond Index	–0.3	2.7	5.4
Global Fixed Income	4.0	9.1	15.0
J.P. Morgan Global Broad Bond Index	–0.2	4.5	8.8
Commercial Real Estate	20.4	22.5	16.3
NCREIF Property Index	14.5	14.4	11.2
Cash Equivalents	4.3	2.7	2.5
Lehman Brothers 90-Day T-Bill Index	4.0	2.4	2.2
Alternative Investments	5.0	3.7	–5.9
Consumer Price Index +5%**	6.7	7.7	7.3

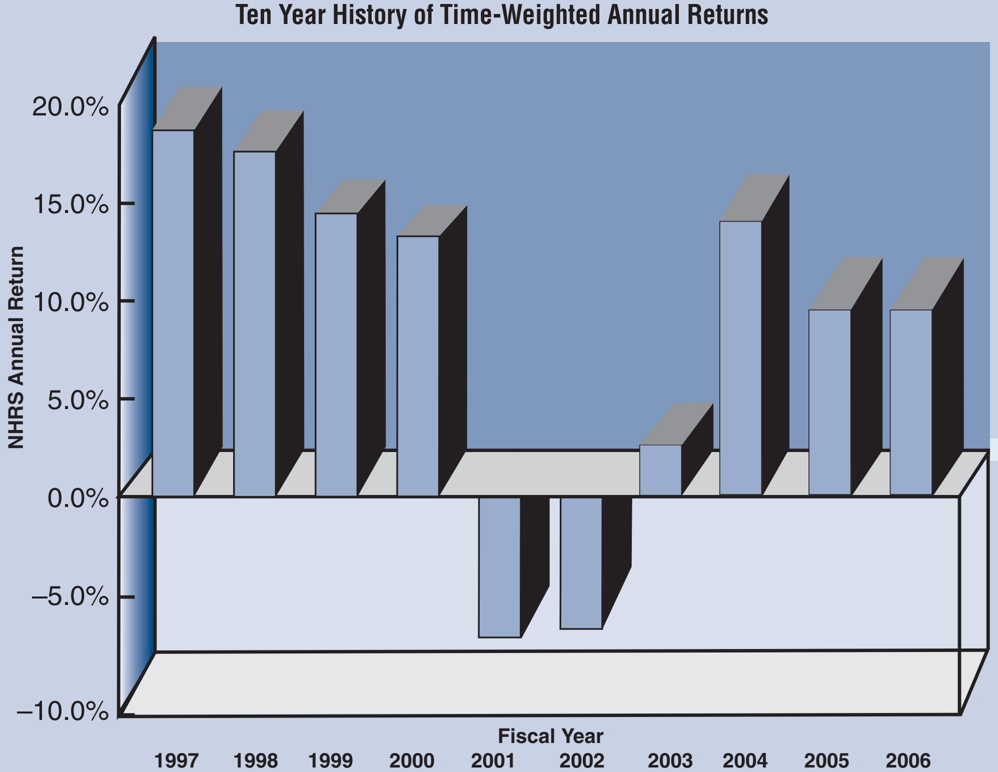
Performance returns are calculated on a net-of-fees time-weighted rate of return basis.

Performance returns for commercial real estate and alternative investment asset classes reflect a one quarter lag calculation methodology.

* The custom index is comprised of major market indices in proportion to the system's asset allocation.

** There is not a generally accepted market index for alternative investments. However, the Consumer Price Index +5% is utilized for comparative purposes.

Ten Year History of Time-Weighted Annual Returns



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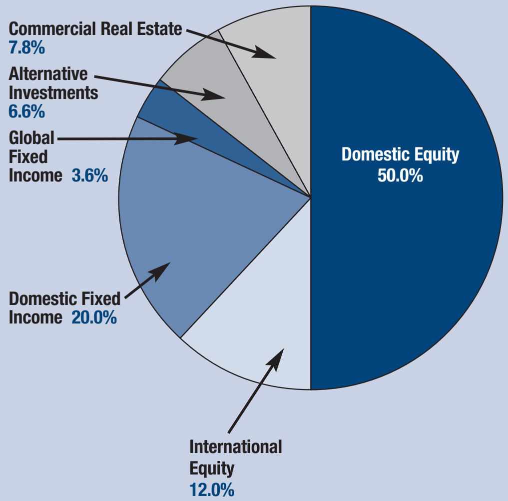
ACTUAL ASSET ALLOCATION VERSUS TARGET ASSET ALLOCATION

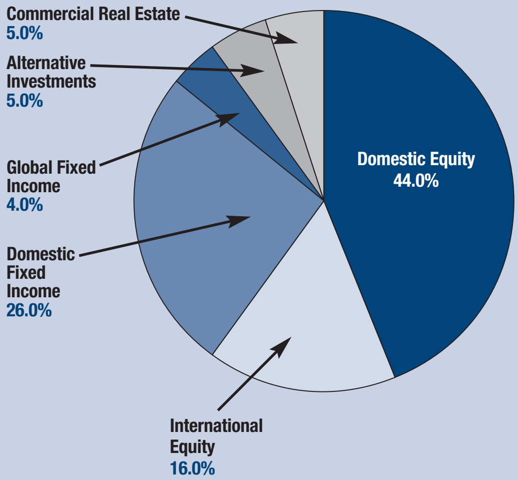
	As of June 30, 2006		
	Actual %	Target %*	Target Range %*
Domestic Equity	50.0%	44.0%	40–48
International Equity	12.0	16.0	12–20
Domestic Fixed Income	20.0	26.0	24–28
Global Fixed Income	3.6	4.0	2–6
Alternative Investments	6.6	5.0	3–7
Commercial Real Estate	7.8	5.0	3–7
TOTAL FUND	**100.0%**	**100.0%**	

* Targets and Ranges as stated in The System's Investment Policy and Guidelines. Prior to May 9, 2006 the allocation targets were domestic equity 47.0%, international equity 12.0%, domestic fixed income 18.0%, global fixed income 3.0%, alternative investments 10.0%, and commercial real estate 10.0%.

Actual Asset Allocation as of June 30, 2006



Target Asset Allocation as of June 30, 2006



TEN LARGEST STOCK HOLDINGS BY FAIR VALUE*

(in thousands)

	Shares	Stock	June 30, 2006 Fair Value
1	1,033,400	Bank of America Corp.	$49,707
2	1,279,450	General Electric Corp.	42,171
3	665,950	Exxon Mobil Corp.	40,856
4	793,763	Citigroup, Inc.	38,291
5	787,596	J.P. Morgan Chase & Co., Inc.	33,079
6	372,150	Altria Group, Inc.	27,327
7	405,200	Pepsico, Inc.	24,328
8	307,300	International Business Machine Corp.	23,607
9	572,150	Honeywell International Inc.	23,058
10	1,120,400	Sprint Nextel Corp.	22,397

TEN LARGEST FIXED INCOME HOLDINGS BY FAIR VALUE*

(in thousands)

	Par	Security	June 30, 2006 Fair Value
1	27,631,000	U.S. Treasury Notes, 3.875%, AAA, Due 2/15/2013	$25,721
2	25,966,000	U.S. Treasury Notes, 4.875%, AAA, Due 2/15/2012	25,682
3	23,225,000	U.S. Treasury Bonds, 6.125%, AAA, Due 11/15/2027	25,662
4	22,735,000	FHLMC Bonds, 5.500%, Agency, Due 7/15/2019	22,295
5	16,668,000	U.S. Treasury Notes, 4.250%, AAA, Due 11/15/2013	15,773
6	15,020,000	U.S. Treasury Notes, 2.500%, AAA, Due 10/31/2006	14,890
7	13,900,000	FHLMC Bonds, 5.500%, Agency, Due 7/1/2036	13,348
8	13,279,916	FHLMC Bonds, 6.000%, Agency, Due 8/15/2028	13,094
9	40,665,000**	Republic of Poland Bonds, 5.750%, A–, Due 6/8/2024	12,924
10	9,765,000	U.S. Treasury Bonds, 7.250%, AAA, Due 5/15/2016	11,307

* A complete listing of portfolio holdings is available for review by contacting the NHRS offices.

** Par value is denoted in local currency.

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SCHEDULE OF INVESTMENT MANAGEMENT AND SERVICE FEES

	YEAR ENDED JUNE 30, 2006		
	Assets Under Management (in thousands)	Fees (in thousands)	Basis Points
INVESTMENT MANAGEMENT FEES			
Equity Investments:			
Domestic	$2,419,190	$11,551	48
International	652,392	3,359	51
Fixed Income Investments:			
Domestic	872,814	2,345	27
Global	178,577	627	35
Alternative Investments:			
Venture Capital Funds*	141,744	2,915	67
Buyout Funds*	15,159	426	55
Mezzanine Funds*	1,017	12	12
Natural Resource Funds*	399	149	75
Distressed Debt*	14,424	355	118
Timberfunds	96,783	627	65
Absolute Return Strategies	67,374	755	112
Commercial Real Estate	400,900	2,187	55
Cash and Cash Equivalents	273,881	—	—
TOTAL INVESTMENT MANAGEMENT FEES	**$5,134,654**	**$25,308**	**49**
INVESTMENT SERVICE FEES			
Custodial Fees	$4,396,854	$ 444	1
Investment Advisor Fees	5,134,654	602	1
Security Lending Management Fees	1,047,189	587	6
TOTAL INVESTMENT MANAGEMENT AND SERVICE FEES	**$5,134,654**	**$26,941**	**52**

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

SCHEDULE OF BROKERAGE COMMISSIONS PAID

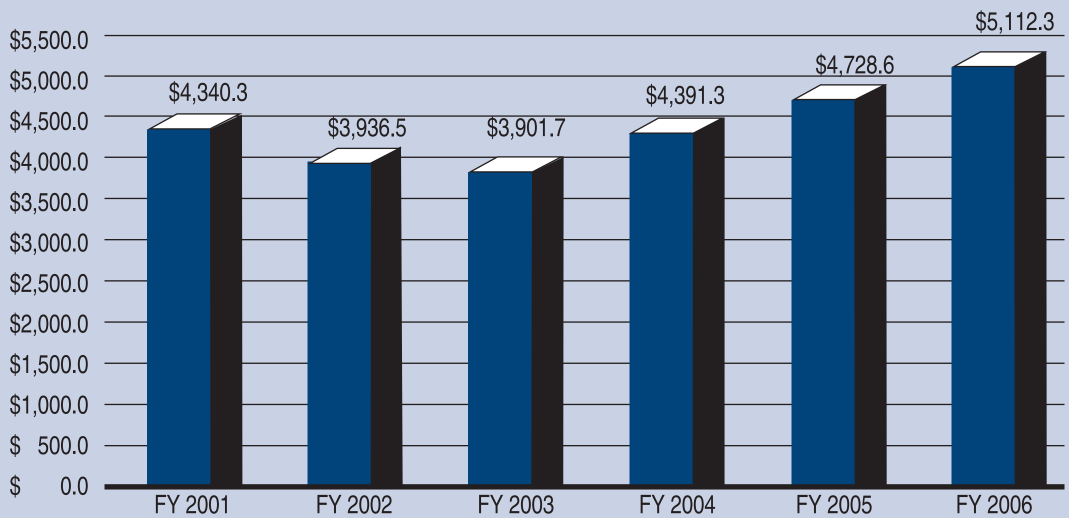
Brokerage Firm	YEAR ENDED JUNE 30, 2006 Number of Shares Traded (in thousands)	Total Commissions (in thousands)	Commissions Per Share
BNY Brokerage, Inc.*	12,612	$ 599	$0.05
Lynch, Jones & Ryan*	7,028	330	0.05
Cantor Fitzgerald & Company, Inc.	5,905	284	0.05
Lehman Brothers, Inc.	8,749	203	0.02
Merrill Lynch & Company, Inc.	29, 431	183	0.01
Abel/Noser Corporation*	7,505	168	0.02
Credit Suisse First Boston Corporation	4,235	159	0.04
Goldman Sachs & Company, Inc.	3,805	146	0.04
Morgan Stanley & Company, Inc.	6,069	140	0.02
Citigroup Global Markets, Inc.	3,191	130	0.04
Friedman, Billings, Ramsey Group, Inc.	2,527	126	0.05
UBS AG	4,196	123	0.03
Bear Stearns Securities Corporation	2,601	115	0.04
Liquidnet, Inc.	3,680	87	0.02
National Financial Services, LLC	1,990	86	0.04
McDonald & Company	1,718	86	0.05
J.P. Morgan Securities, Inc.	2,028	84	0.04
Sanford C. Bernstein & Company, Inc.	2,002	84	0.04
Investment Technology Group, Inc.	4,287	83	0.02
Instinet Group, Inc.	1,680	71	0.04
All Others (239 not listed separately)	67,953	1,941	0.03
TOTAL BROKERAGE COMMISSIONS PAID	**183,192**	**$5,228**	**$0.03**

* These firms conducted brokerage commission recapture operations for the NHRS until March 14, 2006 when the program was terminated.

SUMMARY OF INVESTMENTS

TYPE OF INVESTMENT	June 30, 2006 Fair Value (in millions)	Percent of Total Fair Value
FIXED INCOME		
Government and Agency Bonds	$ 700.3	13.6%
Corporate Bonds	199.4	4.0
Commercial Mortgage Backed Bonds	103.9	2.0
Asset Backed Bonds	20.5	0.4
Collateralized Mortgage Bond Obligations	27.3	0.5
TOTAL FIXED INCOME	**1,051.4**	**20.5**
EQUITY		
Consumer Discretionary	335.6	6.5
Consumer Staples	203.1	4.0
Energy	310.4	6.0
Financial Services	644.1	12.6
Health Care	339.4	6.6
Industrials	417.9	8.1
Information Technology	453.9	8.8
Materials	187.6	3.7
Telecommunication Services	91.5	1.8
Utilities	88.1	1.7
TOTAL EQUITY	**3,071.6**	**59.8**
OTHER INVESTMENTS		
Alternative Investments	336.9	6.6
Commercial Real Estate	400.9	7.8
Cash and Cash Equivalents	273.9	5.3
TOTAL INVESTMENTS	**$5,134.7**	**100.0%**

Net Assets Held In Trust For Benefits
(in millions)



Actuarial Section

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Actuarial Certification

buckconsultants
an ACS company

November 6, 2006

The Board of Trustees
New Hampshire Retirement System
54 Regional Drive
Concord, New Hampshire 03301-8507

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, 2001 valuation determined the contributions of the System for the fiscal years ended June 30, 2004 and June 30, 2005. The June 30, 2004 interim valuation of the System is used to determine the funding contributions for the System for the fiscal years ending June 30, 2006 and June 30, 2007. We have completed the June 30, 2005 actuarial valuation of the NHRS which will be used to determine the funding contributions for the System for the fiscal years ending June 30, 2008 and June 30, 2009.

The June 30, 2005 valuation reflects the following financially significant changes in the benefit structure:

- Employees, Teachers and Police Officers retired prior to July 1, 2004 received a 1.0% COLA and Firefighters retired prior to July 1, 2004 received a 1.5% COLA effective July 1, 2005.
- Employees, Teachers and Police Officers retired prior to July 1, 2003 received a 1.0% COLA and Teachers and Firefighters retired prior to July 1, 2003 received a 2.5% COLA effective July 1, 2004.

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. In November, 2005, the Board of Trustees approved revised demographic and economic assumptions effective with the June 30, 2005 valuation.

The contributions for fiscal year 2006, which have been determined in the June 30, 2004 interim 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 rec-

The Board of Trustees
November 6, 2006
Page 2

ommended that the minimum normal contribution rate for fiscal years prior to July 1, 2003 not be less than the rate using target funding with a funding goal of 130% over a 20 year horizon and an 8% interest rate and that the minimum contribution rate for fiscal years beginning on and after July 1, 2003 and ending June 30, 2005 not be less than the rate using target funding with a 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 and 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. Finally, effective for contributions beginning with the fiscal year ending June 30, 2008, the open group aggregate funding method will be based on an 8.5% 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, 2006 and June 30, 2005 are based on the demographic data used in the June 30, 2005 valuation and on the interest assumption of 8.50%.

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 Buck for internal completeness and consistency and compared with the prior valuation data to again ensure consistency.

Buck prepared the normal contribution rates and actual contribution rates as a percent of current payroll tables, the analysis of changes in actuarial assumptions, pension benefit provisions and the membership composition table shown in the financial section. Buck also prepared and reviewed for reasonability the Schedule of Contributions from employers and other contributing entities. Buck also prepared all the schedules shown in the actuarial section.

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

Respectfully submitted,

Buck Consultants, 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 Actuary

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Progress Towards Board of Trustees Goal for Funded Ratios

PROGRESS TOWARDS BOARD OF TRUSTEES GOAL FOR FUNDED RATIOS

The New Hampshire Retirement System (System) determines the annual required contribution using the open group aggregate funding method. The results from the open group aggregate cost method are based on a 9% interest rate for fiscal years prior to July 1, 2007 and an 8.5% interest rate for fiscal years beginning on or after July 1, 2007. 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, 2006 and June 30, 2005 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, 2006 and 2005 is based on the June 30, 2005 actuarial valuation of the System. The information presented as of June 30, 2005 is based on the June 30, 2005 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 8.5% for 2006 and 2005. 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, 2006 and 2005 reflect an average annual salary increase among the four classifications of 6.3%. (Each classification uses its own salary increase assumption.) This includes a 3.0% inflation component for both fiscal years and a 3.3% 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, 2006 AND JUNE 30, 2005 (in thousands)

	ALL GROUPS 2006	ALL GROUPS 2005	EMPLOYEES 2006
A. Projected Liability			
1. Retirees & Beneficiaries Currently Receiving Benefits & Terminated Employees Not Yet Entitled	$2,986,360	$2,767,242	$ 943,151
2. Current Employees			
a. Accumulated Employee Contributions With Interest	2,133,842	2,016,420	774,995
b. Employer Financed	1,282,673	1,207,364	375,934
3. Total Pension Liabilities	**$6,402,875**	**$5,991,026**	**$2,094,080**
% of Total Pension Liabilities	**100.00%**	**100.00%**	**32.71%**
FUNDING STATUS AT FAIR VALUE OF ASSETS			
B. Net Assets			
Fair Value of Assets	$5,112,257	$4,728,590	$1,563,138
Less: Undesignated Special Account	312,838**	302,770*	99,115**
Less: Account for Medical Insurance Subsidy	445,860	445,918	88,953
Net Fair Value of Assets Held in Trust for Benefits	**$4,353,559**	**$3,979,902**	**$1,375,070**
% of Net Fair Value of Assets Held in Trust for Benefits	**100.00%**	**100.00%**	**31.59%**
C. Unfunded Pension Liability	**$2,049,316**	**$2,011,124**	**$719,010**
Percent Funded	**67.99%**	**66.43%**	**65.66%**
Payroll	$2,141,016	$2,043,568	$928,537
Unfunded (Excess)/Payroll	95.72%	98.41%	77.43%
FUNDING STATUS AT ACTUARIAL VALUE OF ASSETS			
D. Net Assets			
Actuarial Value	$4,241,108	$3,913,570	$1,342,343
Less: Special Account	312,838**	302,770*	99,115**
Net Assets Held in Trust for Benefits	**$3,928,270**	**$3,610,800**	**$1,243,228**
E. Unfunded Pension Liability	**$2,474,605**	**$2,380,226**	**$ 850,852**
Percent Funded	**61.35%**	**60.27%**	**59.37%**
Payroll	$2,141,016	$2,043,568	$ 928,532
Unfunded (Excess)/Payroll	115.58%	116.47%	91.63%

FUNDING STATUS BASED ON NHRS BOARD OF TRUSTEES OBJECTIVES BY MEMBER GROUP AT JUNE 30, 2006 AND JUNE 30, 2005 (in thousands)

	ALL GROUPS 2006	ALL GROUPS 2005	EMPLOYEES 2006
Vested Benefits			
Participants Currently Receiving Benefits	$2,962,579	$2,745,323	$ 933,225
Other Participants	2,647,288	2,490,800	889,560
Total Vested Benefits	$5,609,867	$5,236,123	$1,822,785
Nonvested Benefits	77,668	67,760	25,724
Total Pension Liabilities	**$5,687,535**	**$5,303,883**	**$1,848,509**
% of Total Pension Liabilities	**100.00%**	**100.00%**	**32.50%**
Fair Value of Assets	$5,112,257	$4,728,590	$1,563,138
Less: Undesignated Special Account	312,838**	302,770*	99,115**
Less: Account for Medical Insurance Subsidy	445,860	445,918	88,953
Net Fair Value of Assets Held in Trust for Benefits	**$4,353,559**	**$3,979,902**	**$1,375,070**
% of Net Fair Value of Assets Held in Trust for Benefits	**100.00%**	**100.00%**	**31.59%**
Funding Ratio for Pension Liability	**76.55%**	**75.04%**	**74.39%**
Actuarial Present Value of Postretirement Medical Liabilities			
Active	$ 358,289	$ 331,734	$ 41,943
Retired	628,213	598,941	207,175
Total Actuarial Present Value of Postretirement Medical Liabilities	$ 986,502	$ 930,675	$ 249,118
Total Actuarial Present Value of Accrued Benefits	$6,674,037	$6,234,558	$2,097,627
Fair Value of Assets Held in Trust for Benefits	$4,799,419	$4,425,820	$1,464,023
Overall Funded Ratio	**71.91%**	**70.99%**	**69.79%**

NOTE: Liabilities based on 8.5% interest rate.

*Reflects legislation effective on or before June 30, 2005.

**Reflects legislation effective on or before June 30, 2006.

EMPLOYEES 2005	TEACHERS 2006	TEACHERS 2005	POLICE OFFICERS 2006	POLICE OFFICERS 2005	FIREFIGHTERS 2006	FIREFIGHTERS 2005
$ 891,832	$1,116,828	$1,025,874	$ 605,620	$ 551,339	$ 320,861	$ 298,197
730,153	907,835	855,779	298,887	287,254	152,125	143,234
339,440	531,899	513,585	237,955	226,302	136,885	128,037
$1,961,425	**$2,556,462**	**$2,395,238**	**$1,142,462**	**$1,064,895**	**$ 609,871**	**$ 569,468**
32.74%	**39.93%**	**39.98%**	**17.84%**	**17.77%**	**9.52%**	**9.51%**
$1,439,406	$2,005,034	$1,862,796	$1,028,267	$ 949,618	$ 515,818	$ 476,770
95,619*	125,973**	120,560*	44,819**	44,112*	42,931**	42,479*
94,985	102,008	106,779	165.282	158,191	89,617	85,963
$1,248,802	**$1,777,053**	**$1,635,457**	**$ 818,166**	**$ 747,315**	**$ 383,270**	**$ 348,328**
31.38%	**40.82%**	**41.09%**	**18.79%**	**18.78%**	**8.80%**	**8.75%**
$ 712,623	**$ 779,409**	**$ 759,781**	**$ 324,296**	**$ 317,580**	**$ 226,601**	**$ 221,140**
63.67%	**69.51%**	**68.28%**	**71.61%**	**70.18%**	**62.84%**	**61.17%**
$ 879,419	$ 886,114	$ 851,664	$ 230,300	$ 221,456	$ 96,065	$ 91,029
81.03%	87.96%	89.21%	140.81%	143.41%	235.88%	242.93%
$1,230,417	$1,715,519	$1,592,169	$ 779,723	$ 718,827	$ 403,523	$ 372,157
95,619*	125,973**	120,560*	44,819**	44,112*	42,931**	42,479*
$1,134,798	**$1,589,546**	**$1,471,609**	**$ 734,904**	**$ 674,715**	**$ 360,592**	**$ 329,678**
$ 826,627	**$ 966,916**	**$ 923,629**	**$ 407,558**	**$ 390,180**	**$ 249,279**	**$ 239,790**
57.86%	**62.18%**	**61.44%**	**64.33%**	**63.36%**	**59.13%**	**57.89%**
$ 879,419	$ 886,114	$ 851,664	**$ 230,300**	$ 221,456	$ 96,065	$ 91,029
94.00%	109.12%	108.45%	176.97%	176.19%	259.49%	263.42%
$ 882,684	$1,103,495	$1,013,677	$ 605,087	$ 550,848	$ 320,772	$ 298,114
836,604	1,179,713	1,105,441	381,119	364,959	196,896	183,796
$1,719,288	$2,283,208	$2,119,118	$ 986,206	$ 915,807	$ 517,668	$ 481,910
21,158	14,320	12,049	27,121	25,165	10,503	9,388
$1,740,446	**$2,297,528**	**$2,131,167**	**$1,013,327**	**$ 940,972**	**$ 528,171**	**$ 491,298**
32.82%	**40.39%**	**40.18%**	**17.82%**	**17.74%**	**9.29%**	**9.26%**
$1,439,406	$2,005,034	$1,862,796	$1,028,267	$ 949,618	$ 515,818	$ 476,770
95,619*	125,973**	120,560*	44,819**	44,112*	42,931**	42,479*
94,985	102,008	106,779	165,282	158,191	89,617	85,963
$1,248,802	**$1,777,053**	**$1,635,457**	**$ 818,166**	**$ 747,315**	**$ 383,270**	**$ 348,328**
31.38%	**40.82%**	**41.09%**	**18.79%**	**18.78%**	**8.80%**	**8.75%**
71.75%	**77.35%**	**76.74%**	**80.74%**	**79.42%**	**72.57%**	**70.90%**
$ 38,657	$ 92,745	$ 85,479	$ 162,611	$ 151,174	$ 60,990	$ 56,424
206,003	197,932	196,169	148,503	126,431	74,603	70,338
$ 244,660	$ 290,677	$ 281,648	$ 311,114	$ 277,605	$ 135,593	$ 126,762
$1,985,106	$2,588,205	$2,412,815	$1,324,441	$1,218,577	$ 663,764	$ 618,060
$1,343,787	$1,879,061	$1,742,236	$ 983,448	$ 905,506	$ 472,887	$ 434,291
67.69%	**72.60%**	**72.21%**	**74.25%**	**74.31%**	**71.24%**	**70.27%**

ACCRUED LIABILITY FOR POSTRETIREMENT MEDICAL INSURANCE SUBSIDY—8.5% INTEREST, 8% MEDICAL TREND

(in thousands)

	Total 2006	Total 2005	Employees 2006	Employees 2005	Teachers 2006	Teachers 2005	Police Officers 2006	Police Officers 2005	Firefighters 2006	Firefighters 2005
Postretirement Medical Liability										
Active	$358,289	$331,734	$ 41,943	$ 38,657	$ 92,745	$ 85,479	$162,611	$151,174	$ 60,990	$ 56,424
Retired	628,213	598,941	207,175	206,003	197,932	96,169	148,503	126,431	74,603	70,338
Total Postretirement Medical Liability	**$986,502**	**$930,675**	**$249,118**	**$244,660**	**$290,677**	**$281,648**	**$311,114**	**$277,605**	**$135,593**	**$126,762**
Fair Value of Net Assets										
401(h) Subtrust	$137,786	$107,083	$ 19,412	$ 12,100	$ 18,274	$ 11,754	$ 58,365	$ 48,968	$ 41,735	$ 34,261
Medical Special Account	308,074	338,835	69,541	82,886	83,734	95,024	106,917	109,223	47,882	51,702
Fair Value of Net Assets Held in Trust for Benefits for Postretirement Medical Premiums	$445,860	$445,918	$ 88,953	$ 94,986	$102,008	$106,778	$165,282	$158,191	$ 89,617	$ 85,963
Funded Ratio	**45.20%**	**47.91%**	**35.71%**	**38.82%**	**35.09%**	**37.91%**	**53.13%**	**56.98%**	**66.09%**	**67.81%**

FUNDING PROGRESS BASED ON NHRS BOARD OF TRUSTEES OBJECTIVES

TOTAL OF ALL GROUPS

(dollars in thousands)

Valuation Date	6/30/05	6/30/03	6/30/01	6/30/99	6/30/97	6/30/95
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	$2,745,323	$2,123,689	$ 1,675,941	$1,464,941	$1,172,285	$ 933,696
Other Participants	$2,490,800	$2,036,552	$ 1,735,410	$1,421,842	$1,201,724	$ 942,436
Total Vested	$5,236,123	$4,160,241	$ 3,411,351	$2,886,783	$2,374,009	$1,876,132
Nonvested Benefits	$ 67,760	$ 41,454	$ 34,105	$ 29,276	$ 29,054	$ 42,869
Total Pension Liabilities	**$5,303,883**	$4,201,695	**$ 3,445,456**	**$2,916,059**	**$2,403,063**	**$1,919,001**
Fair Value of Net Assets for Pension Liabilities*	**$3,979,902**	**$3,124,650**	**$ 3,388,819**	**$3,552,061**	**$2,941,504**	**$2,303,656**
Funded Ratio for Pension Liabilities	**75.0%**	**74.4%**	**98.4%**	**121.8%**	**122.4%**	**120.0%**
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	$ 331,734	$ 240,045	$ 157,706	$ 115,110	$ 66,565	$ 51,155
Retired	$ 598,941	$ 461,363	$ 272,067	$ 146,510	$ 56,781	$ 45,597
Total	$ 930,675	$ 701,408	$ 429,773	$ 261,620	$ 123,346	$ 96,752
Total Actuarial Present Value of Accrued Benefits	**$6,234,558**	**$4,903,103**	**$ 3,875,229**	**$3,177,679**	**$2,526,409**	**$2,015,753**
Fair Value of Net Assets Held in Trust for Benefits*	**$4,425,820**	**$3,539,696**	**$ 3,724,897**	**$3,842,282**	**$3,060,836**	**$2,397,098**
Overall Funded Ratio	**71.0%**	**72.2%**	**96.1%**	**120.9%**	**121.2%**	**118.9%**

* 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. The pension liabilities for 06/30/2005 are based on an 8.50% interest rate. The pension liabilities for 06/30/2003 and prior are based on a 9.00% interest rate.

FUNDING PROGRESS BASED ON NHRS BOARD OF TRUSTEES OBJECTIVES

EMPLOYEES

(dollars in thousands)

Valuation Date	6/30/05	6/30/03	6/30/01	6/30/99	6/30/97	6/30/95
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	$ 882,684	$ 684,995	$ 561,718	$ 501,219	$ 418,829	$ 348,292
Other Participants	$ 836,604	$ 681,236	$ 564,196	$ 467,386	$ 391,813	$ 312,642
Total Vested	$ 1,719,288	$ 1,366,231	$ 1,125,914	$ 968,605	$ 810,642	$ 660,934
Nonvested Benefits	$ 21,158	$ 11,512	$ 9,523	$ 4,623	$ 5,617	$ 7,363
Total Pension Liabilities	**$1,740,446**	**$1,377,743**	**$1,135,437**	**$ 973,228**	**$816,259**	**$668,297**
Fair Value of Net Assets for Pension Liabilities*	**$1,248,802**	**$ 962,453**	**$1,033,867**	**$1,100,451**	**$914,804**	**$731,764**
Funded Ratio for Pension Liabilities	**71.8%**	**69.9%**	**91.1%**	**113.1%**	**112.1%**	**109.5%**
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	$ 38,657	$ 27,177	$ 7,128	—	—	—
Retired	$ 206,003	$ 138,510	$ 37,144	—	—	—
Total	$ 244,660	$ 165,687	$ 44,272	—	—	—
Total Actuarial Present Value of Accrued Benefits	**$1,985,106**	**$1,543,430**	**$1,179,709**	**$ 973,228**	**$816,259**	**$668,297**
Fair Value of Net Assets Held in Trust for Benefits *	**$1,343,787**	**$1,060,908**	**$1,067,745**	**$1,100,451**	**$914,804**	**$731,764**
Overall Funded Ratio	**67.7%**	**68.7%**	**90.5%**	**113.1%**	**112.1%**	**109.5%**

TEACHERS

(dollars in thousands)

Valuation Date	6/30/05	6/30/03	6/30/01	6/30/99	6/30/97	6/30/95
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	$ 1,013,677	$ 752,787	$ 578,020	$ 528,764	$ 417,390	$ 316,379
Other Participants	$ 1,105,441	$ 918,686	$ 790,462	$ 632,295	$ 530,948	$ 407,642
Total Vested	$ 2,119,118	$ 1,671,473	$ 1,368,482	$ 1,161,059	$ 948,338	$ 724,021
Nonvested Benefits	$ 12,049	$ 5,456	$ 3,583	$ 1,202	$ 2,156	$ 11,976
Total Pension Liabilities	**$2,131,167**	**$1,676,929**	**$1,372,065**	**$1,162,261**	**$ 950,494**	**$735,997**
Fair Value of Net Assets for Pension Liabilities*	**$1,635,457**	**$1,310,165**	**$1,418,897**	**$1,468,773**	**$ 1,196,062**	**$910,976**
Funded Ratio for Pension Liabilities	**76.7%**	**78.1%**	**103.4%**	**126.4%**	**125.8%**	**123.8%**
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	$ 85,479	$ 68,651	$ 30,406	$ 20,567	—	—
Retired	$ 196,169	$ 179,798	$ 127,929	$ 68,553	—	—
Total	$ 281,648	$ 248,449	$ 158,335	$ 89,120	—	—
Total Actuarial Present Value of Accrued Benefits	**$2,412,815**	**$1,925,378**	**$1,530,400**	**$1,251,381**	**$ 950,494**	**$735,997**
Fair Value of Net Assets Held in Trust for Benefits*	**$1,742,236**	**$1,415,823**	**$1,514,217**	**$1,557,873**	**$ 1,196,062**	**$910,976**
Overall Funded Ratio	**72.2%**	**73.5%**	**98.9%**	**124.5%**	**125.8%**	**123.8%**

* 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. The pension liabilities for 06/30/2005 are based on an 8.50% interest rate. The pension liabilities for 06/30/2003 and prior are based on a 9.00% interest rate.

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FUNDING PROGRESS BASED ON NHRS BOARD OF TRUSTEES OBJECTIVES

POLICE OFFICERS

(dollars in thousands)

Valuation Date	6/30/05	6/30/03	6/30/01	6/30/99	6/30/97	6/30/95
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	$ 550,848	$ 444,271	$ 352,193	$ 291,465	$ 223,626	$ 179,281
Other Participants	$ 364,959	$ 285,640	$ 246,491	$ 208,066	$ 182,046	$ 139,379
Total Vested	$ 915,807	$ 729,911	$ 598,684	$ 499,531	$ 405,672	$ 318,660
Nonvested Benefits	$ 25,165	$ 17,265	$ 14,629	$ 15,542	$ 14,042	$ 14,074
Total Pension Liabilities	**$ 940,972**	**$ 747,176**	**$ 613,313**	**$ 515,073**	**$ 419,714**	**$ 332,734**
Fair Value of Net Assets for Pension Liabilities*	**$ 747,315**	**$ 590,491**	**$ 643,767**	**$ 671,770**	**$ 564,654**	**$ 443,080**
Funded Ratio for Pension Liabilities	**79.4%**	**79.0%**	**105.0%**	**130.4%**	**134.5%**	**133.2%**
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	$ 151,174	$ 95,918	$ 78,171	$ 61,590	$ 42,075	$ 29,302
Retired	$ 126,431	$ 91,657	$ 68,970	$ 51,930	$ 37,015	$ 29,639
Total	$ 277,605	$ 187,575	$ 147,141	$ 113,520	$ 79,090	$ 58,941
Total Actuarial Present Value of Accrued Benefits	**$1,218,577**	**$ 934,751**	**$ 760,454**	**$ 628,593**	**$ 498,804**	**$ 391,675**
Fair Value of Net Assets Held in Trust for Benefits *	**$ 905,506**	**$ 726,834**	**$ 773,740**	**$ 796,961**	**$ 633,105**	**$ 497,333**
Overall Funded Ratio	**74.3%**	**77.8%**	**101.8%**	**126.8%**	**126.9%**	**127.0%**

FIREFIGHTERS

(dollars in thousands)

Valuation Date	6/30/05	6/30/03	6/30/01	6/30/99	6/30/97	6/30/95
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	$ 298,114	$ 241,636	$ 184,010	$ 143,493	$ 112,440	$ 89,744
Other Participants	$ 183,796	$ 150,990	$ 134,261	$ 114,095	$ 96,917	$ 82,773
Total Vested	$ 481,910	$ 392,626	$ 318,271	$ 257,588	$ 209,357	$ 172,517
Nonvested Benefits	$ 9,388	$ 7,221	$ 6,370	$ 7,909	$ 7,239	$ 9,456
Total Pension Liabilities	**$ 491,298**	**$ 399,847**	**$ 324,641**	**$ 265,497**	**$ 216,596**	**$ 181,973**
Fair Value of Net Assets for Pension Liabilities*	**$ 348,328**	**$ 261,541**	**$ 292,288**	**$ 311,069**	**$ 265,984**	**$ 217,836**
Funded Ratio for Pension Liabilities	**70.9%**	**65.4%**	**90.0%**	**117.2%**	**122.8%**	**119.7%**
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	$ 56,424	$ 48,299	$ 42,001	$ 32,953	$ 24,490	$ 21,853
Retired	$ 70,338	$ 51,398	$ 38,024	$ 26,027	$ 19,766	$ 15,958
Total	$ 126,762	$ 99,697	$ 80,025	$ 58,980	$ 44,256	$ 37,811
Total Actuarial Present Value of Accrued Benefits	**$ 618,060**	**$ 499,544**	**$ 404,666**	**$ 324,477**	**$ 260,852**	**$ 219,784**
Fair Value of Net Assets Held in Trust for Benefits*	**$ 434,291**	**$ 336,131**	**$ 369,195**	**$ 386,998**	**$ 316,865**	**$ 257,025**
Overall Funded Ratio	**70.3%**	**67.3%**	**91.2%**	**119.3%**	**121.5%**	**116.9%**

* 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. The pension liabilities for 06/30/2005 are based on an 8.50% interest rate. The pension liabilities for 06/30/2003 and prior are based on a 9.00% interest rate.

Summary of Actuarial Assumptions And Methods

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. An experience study was prepared as of June 30, 2005. The Board of Trustees adopted revised demographic and economic assumptions effective with the June 30, 2005 valuation which will be used to determine contributions for the fiscal years ended June 30, 2008 and June 30, 2009.

GROUP I—EMPLOYEES

INTEREST RATE: 9% per annum, compounded annually.
9% per annum, compounded annually on employee contributions (includes a 3.0% 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

	Annual Rate of			
Age	Early Retirement##		Normal Retirement	
	Men	Women	Men	Women
55	3.50%	4.00%	—	—
58	6.20	7.60	—	—
61	—	—	13.00%	12.00%
64	—	—	22.00	18.00
67	—	—	25.00	20.00
70	—	—	100.00	100.00

#Withdrawal rates for the first two years of employment are multiplied by 2.0.
*98% are assumed to be ordinary death and 2% are assumed to be accidental death.
**50% are assumed to be ordinary disability and 50% are assumed to be accidental disability.
##Early retirement and normal retirement prior to June 30, 2004 are multiplied by 2.0 for State employees.

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

DEATHS AFTER RETIREMENT:

	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

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 35% male and 65% female distributed by age as follows:

	Male		Female	
Age	Percent	2003 Compensation Level*	Percent	2003 Compensation Level*
20	5.0%	$ 20,000	5.0%	$ 16,000
25	10.0	22,000	10.0	20,000
30	10.0	27,000	10.0	21,000
35	15.0	28,000	10.0	21,000
40	15.0	29,000	15.0	22,000
45	15.0	29,000	20.0	22,000
50	15.0	30,000	15.0	24,000
55	10.0	31,000	10.0	24,000
60	5.0	31,000	5.0	24,000

* 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 3.0% 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:

	MORTALITY RATE			MORTALITY RATE	
AGE	MEN	WOMEN	AGE	MEN	WOMEN
45	.13%	.08%	75	3.40%	2.12%
50	.20	.13	80	5.68	3.43
55	.31	.20	85	9.16	5.71
60	.56	.29	90	13.32	9.43
65	1.09	.56	95	18.10	14.37
70	2.00	1.22	100	25.20	21.25

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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 25% male and 75% female distributed by age as follows:

	Male		Female	
Age	Percent	2003 Compensation Level*	Percent	2003 Compensation Level*
25	25.0%	$ 32,000	35.0%	$ 31,000
30	20.0	34,000	15.0	33,000
35	15.0	35,000	10.0	34,000
40	15.0	39,000	10.0	35,000
45	10.0	42,000	15.0	36,000
50	10.0	42,000	10.0	36,000
55	5.0	42,000	5.0	38,000

*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 3.0% 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					
	Withdrawal	Death		Disability		
Age	and Vesting	Ordinary	Accidental	Ordinary	Accidental	Retirement
25	6.00%	.05%	.01%	.01%	.01%	—
30	5.00	.06	.01	.02	.01	—
35	4.00	.07	.01	.02	.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:

	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

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

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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	2003 Compensation Level*
20	5.0%	$28,000
25	35.0	33,000
30	20.0	33,000
35	15.0	33,000
40	10.0	33,000
45	5.0	35,000
50	5.0	36,000
55	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 — FIREFIGHTERS

INTEREST RATE: 9% per annum, compounded annually.
9% per annum, compounded annually on employee contributions
(includes a 3.0% 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					
	Withdrawal	Death		Disability		
Age	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:

	MORTALITY RATE			MORTALITY RATE	
AGE	MEN	WOMEN	AGE	MEN	WOMEN
45	.13%	.08%	75	3.43%	2.59%
50	.21	.12	80	5.54	4.33
55	.34	.23	85	8.53	6.94
60	.56	.44	90	12.72	10.53
65	1.02	.86	95	17.47	15.60
70	1.93	1.56	100	22.82	23.08

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	2003 Compensation Level*
20	5.0%	$32,000
25	30.0	38,000
30	30.0	39,000
35	20.0	40,000
40	10.0	40,000
45	5.0	45,000

*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 1995 through 2005. 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
2005	26,414	$ 879,419	$ 33,294	9.99%
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

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
2005	1,620	$19,183	739	$5,972	9,973	$100,859	18.56 %	$10,113
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

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
2005	18,474	$ 851,664	$ 46,101	7.88%
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

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
2005	1,121	$21,842	344	$4,591	5,904	$108,894	24.34 %	$18,444
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

* 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.

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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
2005	4,573	$221,456	$48,427	6.35%
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

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
2005	308	$8,934	83	$1,492	2,012	$55,788	17.68 %	$27,728
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

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
2005	1,599	$91,029	$56,929	9.72%
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

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
2005	128	$4,393	66	$1,290	1,061	$30,813	15.83 %	$29,041
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

* 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)
2006	$2,133,842	$2,962,579	$1,306,454	$3,928,270	100.00%	60.75%	0.00%
2005	$2,016,420	$2,745,323	$1,229,283	$3,610,800	100.00%	58.08%	0.00%
2004	$1,864,275	$2,320,071	$ 845,531	$3,575,641	100.00%	73.76%	0.00%
2003	$1,754,619	$2,123,689	$ 790,884	$3,500,037	100.00%	82.19%	0.00%
2002	$1,575,703	$1,862,864	$ 757,747	$3,443,395	100.00%	100.00%	0.64%
2001	$1,481,974	$1,675,941	$ 684,687	$3,264,901	100.00%	100.00%	15.63%
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%

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)
2006	$ 774,995	$ 933,225	$ 385,860	$1,243,228	100.00%	50.17%	0.00%
2005	$ 730,153	$ 882,684	$ 348,588	$1,134,798	100.00%	45.84%	0.00%
2004	$ 643,680	$ 750,839	$ 254,683	$1,115,321	100.00%	62.82%	0.00%
2003	$ 613,838	$ 684,995	$ 233,606	$1,080,554	100.00%	68.13%	0.00%
2002	$ 553,104	$ 617,708	$ 207,327	$1,058,702	100.00%	81.85%	0.00%
2001	$ 505,941	$ 561,718	$ 192,915	$ 997,539	100.00%	87.52%	0.00%
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%

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)
2006	$ 907,835	$1,103,495	$ 545,132	$1,589,546	100.00%	61.78%	0.00%
2005	$ 855,779	$1,013,677	$ 525,782	$1,471,609	100.00%	60.75%	0.00%
2004	$ 823,534	$ 828,111	$ 313,582	$1,468,207	100.00%	77.85%	0.00%
2003	$ 771,525	$ 752,787	$ 302,246	$1,452,513	100.00%	90.46%	0.00%
2002	$ 681,141	$ 650,033	$ 303,105	$1,427,057	100.00%	100.00%	31.63%
2001	$ 656,208	$ 578,020	$ 265,108	$1,355,757	100.00%	100.00%	45.84%
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%

* 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, 2004, and 2005 and based on Fair Value of Assets for Fiscal Years prior to 1999.

NOTE: Based on an 8.5% interest rate for fiscal years 2005 and 2006 and a 9% interest rate for fiscal years 1996 through 2004.

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POLICE OFFICERS

(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)
2006	$298,887	$605,087	$238,488	$734,904	100.00%	72.06%	0.00%
2005	$287,254	$550,848	$226,793	$674,715	100.00%	70.34%	0.00%
2004	$263,985	$478,420	$178,048	$669,858	100.00%	84.84%	0.00%
2003	$245,172	$444,271	$162,351	$656,154	100.00%	92.51%	0.00%
2002	$226,996	$388,254	$155,059	$647,996	100.00%	100.00%	21.12%
2001	$210,063	$352,193	$143,042	$616,370	100.00%	100.00%	37.83%
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%

FIREFIGHTERS

(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)
2006	$152,125	$320,772	$136,974	$360,952	100.00%	64.99%	0.00%
2005	$143,234	$298,114	$128,120	$329,678	100.00%	62.54%	0.00%
2004	$133,076	$262,701	$ 99,218	$322,255	100.00%	72.01%	0.00%
2003	$124,084	$241,636	$ 92,681	$310,816	100.00%	77.28%	0.00%
2002	$114,462	$206,869	$ 92,256	$309,640	100.00%	94.35%	0.00%
2001	$109,762	$184,010	$ 83,622	$295,235	100.00%	100.00%	1.75%
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%

* 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, 2004, and 2005 and based on Fair Value of Assets for Fiscal Years prior to 1999.

NOTE: Based on an 8.5% interest rate for fiscal years 2005 and 2006 and a 9% interest rate for fiscal years 1996 through 2004.

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 2005	June 30 2003	June 30 2001	June 30 1999	June 30 1997
Projected Normal Rate*	6.06%	5.12%	4.14%	3.94%	3.86%
Decremental Experience	.02	.08	.13	.15	.19
Pensioner's Experience	.02	.04	.03	.01	.01
Excess Salary Increases	(.01)	(.02)	—	(.05)	(.13)
Assets Different than Expected	.79	.65	.20	—	(.03)
Current New Entrants	.04	—	(.05)	(.04)	(.04)
Amendments	—	.08	—	—	—
Assumption Changes #	.39	.06	.72	.18	.12
Balancing Item	.40	.05	(.05)	(.05)	(.04)
ACTUAL NORMAL RATE	**7.71%**	**6.06%**	**5.12%**	**4.14%**	**3.94%**

TEACHERS

YEAR ENDED	June 30 2005	June 30 2003	June 30 2001	June 30 1999	June 30 1997
Projected Normal Rate *	4.67%	3.44%	3.97%	4.11%	4.05%
Decremental Experience	(.01)	(.04)	.04	.12	.12
Pensioner's Experience	—	.03	.01	—	—
Excess Salary Increases	.09	.11	(.10)	(.15)	(.17)
Assets Different than Expected	1.52	1.03	.25	(.12)	(.03)
Current New Entrants	.02	—	(.07)	(.07)	(.05)
Amendments	—	.02	—	—	—
Assumption Changes #	.90	(.10)	(.70)	.09	.16
Balancing Item	.60	.18	.04	(.01)	.03
ACTUAL NORMAL RATE	**7.79%**	**4.67%**	**3.44%**	**3.97%**	**4.11%**

* Based on forecast valuations.

\# Includes new entrant population assumption changes.

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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 2005	June 30 2003	June 30 2001	June 30 1999	June 30 1997
Projected Normal Rate *	12.33%	10.47%	8.20%	7.13%	5.22%
Decremental Experience	.38	.32	.32	.34	.23
Pensioner's Experience	.01	.05	.04	.05	.04
Excess Salary Increases	(.12)	—	.37	—	(.15)
Assets Different than Expected	1.85	1.69	.60	.05	(.10)
Current New Entrants	.16	—	(.06)	(.01)	.04
Amendments	—	.28	—	—	—
Assumption Changes #	2.08	(.55)	1.24	.50	1.24
Demographics	—	—	—	—	.43
Balancing Item	.05	.07	(.24)	.14	.18
ACTUAL NORMAL RATE	**16.74%**	**12.33%**	**10.47%**	**8.20%**	**7.13%**

FIREFIGHTERS

YEAR ENDED	June 30 2005	June 30 2003	June 30 2001	June 30 1999	June 30 1997
Projected Normal Rate *	16.31%	14.41%	10.17%	8.30%	7.61%
Decremental Experience	.04	.22	.38	.21	.34
Pensioner's Experience	(.06)	(.06)	.12	.05	.09
Excess Salary Increases	.17	.36	.57	.05	(.08)
Assets Different than Expected	2.23	2.29	.67	.62	(.04)
Current New Entrants	.14	(.10)	(.06)	(.03)	.08
Amendments	—	.33	—	—	—
Assumption Changes #	(.32)	(1.48)	2.67	.91	(.50)
Demographics	—	—	—	—	.57
Balancing Item	(.24)	.34	(.11)	.06	.23
ACTUAL NORMAL RATE	**18.27%**	**16.31%**	**14.41%**	**10.17%**	**8.30%**

* Based on forecast valuations.

\# Includes new entrant population assumption changes.

Summary of Principal Plan Provisions As Interpreted For Valuation Purposes

1—GENERAL

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

2—BENEFITS

GROUP I MEMBERS (EMPLOYEES AND TEACHERS)

Service Retirement

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

Reduced Service Retirement

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

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

Ordinary Disability Retirement

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

Accidental Disability Retirement

Eligibility	Permanently disabled due to accident occurring while in the performance of duty.
Amount of Benefit	Service retirement benefit if age 60, otherwise a member annuity plus a state annuity which together equals 50% of AFC; provided that the benefit shall not be less than 50% of AFC.

Ordinary Death Benefit

Eligibility	Death, other than accidental death.
Amount of Benefit	(a) If 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.

	Retirement on or after April 1, 1987
	Benefit payable to surviving spouse until death or remarriage equal to 50% of the member's service, ordinary disability or accidental disability retirement allowance if member was married on the date of retirement plus a lump sum. The lump sum shall be equal to:
	If retired prior to July 1, 1988: $ 3,600
	If retired on or after July 1, 1988:
	If Group II member as of June 30, 1988 $10,000
	If becomes a Group II member after June 30, 1988 and prior to July 1, 1993 $ 3,600
Special Death Benefit—Old Firefighter's System	
	Continuance of duty-connected disability benefits to spouse of deceased retired member payable until death or remarriage.
Vested Deferred Retirement	
Eligibility	10 years of service, if no withdrawal of contributions.
Amount of Benefit	A benefit determined as for service retirement payable when the member would be age 45 with 20 years of service or age 60 if earlier.
Return of Members' Contributions	
	(a) Upon termination of service other than for retirement or death, and if vested deferred retirement has not been elected, the member's accumulated contributions are returned to the member.
	(b) Upon accidental death or upon other death for which no surviving spouse's benefit is payable, the member's accumulated contributions will be paid to the member's beneficiary or estate.
	(c) Upon death of a member on vested deferred retirement prior to the time benefits commence, the member's accumulated contributions will be paid to the member's beneficiary or estate.
	(d) Upon death of the survivor of a member retired on accidental disability and his spouse in receipt of the accidental disability survivor benefit, the excess of the member's accumulated contributions at retirement over the benefits received by the member and the spouse will be paid to the beneficiary or estate.
	(e) Upon death of a retired member (or the survivor of a retired member, if an optional benefit was elected), the excess of accumulated contributions at retirement over the benefits received by the retired member (and, in the case of election of an optional benefit, the benefits received by the survivor) will be paid to the beneficiary or estate of the member.
Benefits for Call Firefighters	
Accidental Disability	Annual benefit not to exceed $1,250 if permanently disabled while in the performance of duty.

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

3—CONTRIBUTIONS

GROUP I MEMBERS (EMPLOYEES AND TEACHERS)

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

GROUP II MEMBERS (POLICE OFFICERS AND FIREFIGHTERS)

By Members	
Police Officers and Firefighters	9.30% of compensation.
Call Firefighters	$6 per year (not refundable).
By Employing Subdivisions	65% of the normal contribution rate for their employees.
By the State	35% of the normal contribution rate for the employees of the employing subdivision plus 35% of accrued liability contributions, in any, plus any delinquent accrued liability contributions. In the case of Group II members employed by the state, the state shall pay 100% of both the normal and accrued liability contributions, if any.

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Statistical Section

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Schedules of Changes in Net Assets

CHANGES IN NET ASSETS — COMBINED PLANS LAST TEN FISCAL YEARS

(in thousands)

	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
Additions:					
Member Contributions	$147,821	$145,706	$129,087	$117,412	$103,211
Employer Contributions	170,821	133,054	123,640	88,477	83,516
Net Investment Income (Loss)	460,199	413,694	558,793	52,204	(322,826)
Transfer in From Medical Special Account	61,449	43,595	43,083	29,305	25,958
Other	820	3,005	2,600	2,522	2,121
Total Additions to Plan Net Assets	**841,110**	**739,054**	**857,203**	**289,920**	**(108,020)**
Deductions:					
Pension Benefits	$316,637	$291,915	$267,007	$244,725	$224,412
Health Insurance Subsidy Payments	41,639	37,202	32,492	27,907	24,009
Refunds	29,382	19,991	16,781	15,223	15,278
Administrative Expense	5,284	4,777	5,497	5,038	4,774
Transfer Out to Pension Plan	61,449	43,595	43,083	29,305	25,958
Other	3,053	4,270	2,738	2,516	1,344
Total Deductions from Plan Net Assets	**457,444**	**401,750**	**367,598**	**324,714**	**295,775**
Change in Plan Net Assets	**$383,666**	**$337,304**	**$489,605**	**($ 34,794)**	**($403,795)**

	FY 2001	FY 2000	FY 1999	FY 1998	FY 1997
Additions:					
Member Contributions	$ 93,999	$ 88,237	$ 81,566	$ 77,395	$ 73,669
Employer Contributions	74,656	69,828	61,342	58,977	46,151
Net Investment Income (Loss)	(357,130)	526,539	506,123	534,722	511,049
Transfer in From Medical Special Account	18,317	8,037	3,159	3,043	2,273
Other	5,669	6,843	5,005	5,450	3,503
Total Additions to Plan Net Assets	**(164,489)**	**699,484**	**657,195**	**679,587**	**636,645**
Deductions:					
Pension Benefits	$200,116	$177,489	$156,436	$139,726	$126,512
Health Insurance Subsidy Payments	13,070	8,124	5,147	4,574	4,013
Refunds	16,979	19,485	17,411	16,939	15,603
Administrative Expense	4,405	3,353	3,367	4,642	3,581
Transfer Out to Pension Plan	18,317	8,037	3,159	3,043	2,273
Other	1,273	1,296	908	730	1,475
Total Deductions from Plan Net Assets	**254,160**	**217,784**	**186,428**	**169,654**	**153,457**
Change in Plan Net Assets	**($418,649)**	**$481,700**	**$470,767**	**$509,933**	**$483,188**

BENEFIT PAYMENTS BY TYPE—COMBINED PLANS*# (in thousands)

Fiscal Year	Type of Retirement	Employees	Teachers	Police Officers	Firefighters	Total
2005	Service & Early Retirements	$ 84,281	$102,364	$44,424	$24,430	$255,499
	Ordinary Disability Retirements	2,945	2,296	701	471	6,413
	Accidental Disability Retirements	5,725	322	7,166	2,747	15,960
	Ordinary Death in Active Service	122	221	35	70	448
	Accidental Death in Active Service	163	61	351	304	879
	Beneficiaries**	7,623	3,629	3,111	2,791	17,154
	Refunds	11,534	6,543	3,208	717	22,002
	Postretirement Medical Premium Subsidies	13,643	12,350	7,155	4,053	37,201
	Total	**$126,036**	**$127,786**	**$66,151**	**$35,583**	**$355,556**
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.

* Since biennial valuations are prepared, the data is available for odd years only.

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

NOTE: Fiscal years 2005, 2003, 2001, 1999, and 1997 are the only data available at this time. Data for future years will be reported prospectively.

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Schedule of Retired Members By Type of Benefit

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFITS AS OF JUNE 30, 2005*

		Type of Retirement**						
Amount of Monthly Benefit	Number of Retirees	1	2	3	4	5	6	7
EMPLOYEES								
$1–250	1,708	1,355	7	—	3	—	263	80
251–500	2,345	1,976	50	1	2	—	207	109
501–750	1,694	1,339	128	30	2	1	136	58
751–1,000	1,526	1,093	91	157	3	2	158	22
1,001–1,250	926	711	26	126	3	1	53	6
1,251–1,500	591	483	14	46	—	2	39	7
1,501–1,750	428	360	4	30	1	2	30	1
1,751–2,000	285	254	1	15	—	1	12	2
Over 2,000	756	681	6	17	—	1	50	1
Totals	**10,259**	**8,252**	**327**	**422**	**14**	**10**	**948**	**286**
TEACHERS								
$1–250	271	157	1	—	—	—	28	85
251–500	549	457	—	—	—	—	22	70
501–750	581	482	5	—	1	—	28	65
751–1,000	745	590	68	1	1	—	45	40
1,001–1,250	605	515	33	2	3	—	23	29
1,251–1,500	568	531	9	2	—	1	21	4
1,501–1,750	562	524	16	4	1	—	14	3
1,751–2,000	565	526	8	3	2	2	21	3
Over 2,000	1,757	1,687	18	4	3	—	45	—
Totals	**6,203**	**5,469**	**158**	**16**	**11**	**3**	**247**	**299**
POLICE OFFICERS								
$1–250	64	47	—	—	—	1	8	8
251–500	91	43	—	—	—	2	34	12
501–750	94	62	2	—	—	—	25	5
751–1,000	150	80	17	10	—	3	38	2
1,001–1,250	127	82	11	5	—	1	27	1
1,251–1,500	119	76	9	12	—	1	21	—
1,501–1,750	135	98	5	20	—	1	11	—
1,751–2,000	153	111	2	32	—	—	7	1
Over 2,000	1,108	895	2	169	1	7	34	—
Totals	**2,041**	**1,494**	**48**	**248**	**1**	**16**	**205**	**29**
FIREFIGHTERS								
$1–250	4	2	—	1	—	1	—	—
251–500	24	12	—	—	—	3	7	2
501–750	39	9	—	—	—	—	29	1
751–1,000	47	21	1	—	—	1	24	—
1,001–1,250	90	34	6	5	—	5	40	—
1,251–1,500	75	36	6	11	—	1	21	—
1,501–1,750	85	57	4	10	—	2	12	—
1,751–2,000	80	48	4	14	—	1	13	—
Over 2,000	620	525	4	61	2	4	24	—
Totals	**1,064**	**744**	**25**	**102**	**2**	**18**	**170**	**3**

* Since biennial valuations are prepared, the data is available only for June 30, 2005.

** 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
1,146	146	125	27	218	45	1	—	—	—
1,470	204	143	60	373	94	1	—	—	—
1,029	95	109	42	312	105	1	1	—	—
898	150	86	54	238	100	—	—	—	—
480	74	85	37	170	79	1	—	—	—
281	44	54	30	127	54	1	—	—	—
203	14	56	18	108	29	—	—	—	—
112	16	26	8	97	25	1	—	—	—
263	32	103	51	226	81	—	—	—	—
5,882	**775**	**787**	**327**	**1,869**	**612**	**6**	**1**	**—**	**—**
218	18	7	1	20	6	—	1	—	—
369	86	25	4	50	15	—	—	—	—
368	81	30	3	82	17	—	—	—	—
434	142	25	24	94	26	—	—	—	—
337	64	39	19	104	42	—	—	—	—
276	50	43	16	127	56	—	—	—	—
245	43	51	19	157	46	1	—	—	—
260	32	43	20	151	58	—	1	—	—
761	118	148	58	497	174	—	1	—	—
3,268	**634**	**411**	**164**	**1,282**	**440**	**1**	**3**	**—**	**—**
39	—	5	6	7	7	—	—	—	—
68	2	2	3	4	12	—	—	—	—
70	4	3	3	7	7	—	—	—	—
105	10	5	9	3	18	—	—	—	—
77	10	5	7	11	17	—	—	—	—
76	7	4	5	10	17	—	—	—	—
69	10	4	13	9	29	1	—	—	—
82	9	4	21	10	27	—	—	—	—
424	74	19	228	48	315	—	—	—	—
1,010	**126**	**51**	**295**	**109**	**449**	**1**	**—**	**—**	**—**
3	—	—	—	—	1	—	—	—	—
21	—	2	1	—	—	—	—	—	—
38	—	—	—	1	—	—	—	—	—
38	—	1	2	2	4	—	—	—	—
72	7	4	2	2	3	—	—	—	—
52	7	5	6	2	3	—	—	—	—
46	11	4	10	6	8	—	—	—	—
45	7	3	8	6	11	—	—	—	—
221	37	14	114	16	218	—	—	—	—
536	**69**	**33**	**143**	**35**	**248**	**—**	**—**	**—**	**—**

#Option Selected: No option—Straight life. Option 1—Cash refund. Option 2—100% Joint & Survivorship. Option 3—50% Joint & Survivorship. Option 4—100% Pop-Up. Option 5—50% Pop-Up. Option 6—Other % Joint & Survivorship. Option 7—Other % Pop-Up. Option 8—Fixed amount to Beneficiaries. Option 9—Widow's benefit (accidental disability) 50%

Schedules of Average Benefit Payment Amounts

SCHEDULES OF AVERAGE BENEFIT PAYMENT AMOUNTS*

EMPLOYEES

2005

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	694*	1,208	2,595	1,723
Annual Benefits	$2,484,052	$4,664,969	$15,373,143	$14,746,749
Avg. Monthly Benefit	$298	$322	$494	$713

* Includes 83 members who did not have service reported.

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

2005

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	129*	141	753	759
Annual Benefits	$601,233	$665,012	$5,321,435	$8,086,882
Avg. Monthly Benefit	$388	$393	$589	$888

* Includes 77 members who did not have service reported.

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.

* Since biennial valuations are prepared, the data is available for odd years only.

2005

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
1,444	857	860	437	125	30	9,973
$17,176,875	$13,643,352	$17,763,988	$11,157,697	$3,155,346	$693,224	$100,859,395
$991	$1,327	$1,721	$2,128	$2,104	$1,926	$843

2003

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	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

2001

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	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

1999

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	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

1997

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	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

2005

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
1,157	1,028	1,260	581	87	9	5,904
$18,121,765	$21,314,216	$33,016,638	$18,684,276	$2,760,968	$321,354	$108,893,780
$1,305	$1,728	$2,184	$2,680	$2,645	$2,976	$1,537

2003

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	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

2001

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	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

1999

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	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

1997

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	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

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SCHEDULES OF AVERAGE BENEFIT PAYMENT AMOUNTS*

POLICE OFFICERS

2005

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	153*	123	237	204
Annual Benefits	$1,418,173	$1,881,382	$4,145,857	$4,487,566
Avg. Monthly Benefit	$772	$1,275	$1,458	$1,833

* Includes 57 members who did not have service reported.

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

2005

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	51*	23	71	101
Annual Benefits	$610,210	$355,945	$1,250,367	$2,237,751
Avg. Monthly Benefit	$997	$1,290	$1,468	$1,846

* Includes 40 members who did not have service reported.

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.

* Since biennial valuations are prepared, the data is available for odd years only.

			2005			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
849	345	90	5	5	1	2,012
$25,944,580	$12,948,555	$4,303,644	$288,178	$319,868	$50,295	$55,788,099
$2,547	$3,128	$3,985	$4,803	$5,331	$4,191	$2,311
			2003			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	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
			2001			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	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
			1999			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	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
			1997			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	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

			2005			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
474	257	66	14	4	—	1,061
$12,898,940	$9,718,107	$2,924,622	$600,969	$216,247	—	$30,813,158
$2,268	$3,151	$3,693	$3,577	$4,505	—	$2,420
			2003			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	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
			2001			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	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
			1999			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	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
			1997			
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	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

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Principal Participating Employers

PRINCIPAL PARTICIPATING EMPLOYERS CURRENT YEAR AND NINE YEARS AGO

	As Of June 30, 2006			As Of June 30, 2004**		
Participating Government	# of Covered Employees	Rank	Percentage of Total System	# of Covered Employees	Rank	Percentage of Total System
State of New Hampshire	12,009	1	23.38%	11,768	1	23.33%
Manchester School District	1,460	2	2.84%	1,396	2	2.77%
SAU 42 (Nashua School District)	1,318	3	2.57%	1,313	3	2.60%
Merrimack School District	661	4	1.29%	645	4	1.28%
Timberlane School District	654	5	1.27%	481	9	0.95%
Concord School District	619	6	1.20%	623	5	1.24%
Londonderry School District	606	7	1.18%	593	7	1.18%
SAU 54 (Rochester School District)	589	8	1.15%	588	8	1.17%
City of Nashua	577	9	1.12%	603	6	1.20%
Merrimack County	542	10	1.05%	479	10	0.95%
All Other*	32,343		62.95%	31,931		63.33%
Total (474 Governments)	**51,378**		**100.00%**	**50,420**		**100.00%**

*As of June 30, 2006, "All Other" consisted of:

Type	Number	Employees
City Governments	12	2,635
Town Governments & Related Entities	242	7,802
County Governments & Related Entities	11	2,634
School Districts & School Administrative Units	199	19,272
Total	**464**	**32,343**

**Data for nine years ago is not available due to changes in accounting systems. Data for June 30, 2004 will be reported prospectively until such time as data is available for nine years ago.

The following pages contain a full list of participating employers as of June 30, 2006.

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 E, P, F

Allenstown Sewer Commission E

Alstead P

Alton E, P, F

Amherst P, F

Andover P

Androscoggin Valley Regional Refuse Disposal Dist. E

Antrim E, P

Ashland E, P

Ashland Electric Department E

Atkinson E, P

Auburn E, P, F

Baker Free Library E

Barnstead E, P, F

Barrington E, P

Bartlett P, F

BCEP Solid Waste District E

Bedford E, P, F

Belmont E, P, F

Bennington E, P

Berlin E, P, F

Berlin Housing Authority E

Berlin Water Works E

Bethlehem E, P

Boscawen E, P

Bow E, P, F

Bradford P

Brentwood E, P, F

Bridgewater P

Bristol E, P, F

Brookline E, P, F

Brookline Public Library E

Campton P

Campton-Thornton Fire Department 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, F

Chesterfield E, P

Chichester P

Claremont E, P, F

Clarksville E

Colebrook E, P

Concord E, P, F

Concord Regional Solid Waste Resource Recovery Facility E

Conway E, P

Conway Village Fire District E

Cornish E

Danville P

Deerfield E, P

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

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Deering P
Derry E, P, F
Derry Housing Authority E
Dorchester E
Dover E, P, F
Dover Housing Authority E
Dublin E, P
Dunbarton E, P
Durham E, P, F
East Kingston E, P
Effingham P
Eidelweiss Village District E
Enfield E, P
Epping E, P, F
Epsom E, P, F
Exeter E, P, F
Farmington P
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Francestown E, P
Franconia P
Franklin E, P, F
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Laconia E, P, F
Laconia Housing & Redevelopment E
Laconia Water Works E
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Lakes Region Planning Commission E
Lancaster E, P, F
Langdon P
Lebanon E, P, F
Lee E, P, F
Lempster E
Lincoln E, P
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Litchfield E, P, F
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Milford Area Communication Center E
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Mont Vernon E, P
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Nashua Housing Authority E
Nelson E
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New Castle E, P, F
New Durham E, P
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New Hampton E, P
New Ipswich E, P
New London E, P, F
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Newmarket E, P
Newport E, P, F
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New Hampshire Community Development Finance Authority E

New Hampshire Land & Community Heritage E

New Hampshire Municipal Bond Bank E

North Conway Water Precinct E

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Orford E, P

Ossipee E, P

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Pelham P, F

Pembroke E, P

Penacook-Boscawen Water Precinct E

Peterborough E, P, F

Pittsburg E, P

Pittsfield E, P, F

Plainfield E, P

Plaistow E, P, F

Plaistow Public Library E

Plymouth E, P, F

Plymouth Court Jurisdictional Association E

Plymouth Village Water & Sewer E

Portsmouth E, P, F

Portsmouth Housing Authority E

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Rye E, P, F

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Woodstock E, P

Woodsville Fire District E

Woodsville Water & Light Department E

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Belknap County Conservation District E

Carroll County E, P

Cheshire County E, P

Coos County E, P

Coos County Nursing Home E

Grafton County E, P

Hillsborough County E, P

Merrimack County E, P

Rockingham County E, P

Strafford County E, P

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Andover School District E, T

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Barnstead School District E, T

Barrington School District E, T

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Bath School District E, T

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SAU – School Administrative Unit

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Brentwood School District E, T
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Campton School District E, T
Candia School District E, T
Chester School District E, T
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Claremont School District E, T
Cocheco Arts & Technology Academy T
Colebrook School District T
Concord School District E, T
Contoocook Valley Regional School District-SAU 1 E, T
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Cornish School District E, T
Croydon School District T
Deerfield School District T
Dover School District E, T
Dresden School District E, T
Dunbarton School District T
East Kingston School District E, T
Epping School District E, T
Epsom School District T
Errol School District T
Exeter 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 Career Academy 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
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Goshen-Lempster 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
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Hanover School District E, T
Harrisville School District E, T
Haverhill Coop School District E, T
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Hill School District T
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Hinsdale School District E, T
Holderness School District E, T
Hollis School District E, T
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Hopkinton School District E, T
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Inter-Lakes Cooperative School District E, T
Jackson School District E, T
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John Stark Regional School District E, T
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Marlow School District E, T
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North Hampton School District E, T

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SAU – School Administrative Unit

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

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

Seacoast Charter School 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

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SAU 33 E

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KEY: E – Employees T – Teachers P – Police Officers F – Firefighters
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CONCORD, NEW HAMPSHIRE 03301-8507