New Hampshire Retirement System

A Component Unit Of
The State Of New Hampshire

Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2009

NHRS
New Hampshire Retirement System

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NEW HAMPSHIRE RETIREMENT SYSTEM

Introductory Section

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Cover Photo and Inside Photos: Bogacz Photography/Digital Media, Concord, NH • 603.228.1229
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Comprehensive Annual Financial Report
For The Fiscal Year Ended
June 30, 2009

A Component Unit of the State of New Hampshire

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

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Letter From The Chair

NHRS
New Hampshire Retirement System

December 10, 2009

To the Members of the New Hampshire Retirement System:

On behalf of the Board of Trustees of the New Hampshire Retirement System (NHRS), I am pleased to present NHRS' *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2009. This report provides important information describing the financial condition of both the Pension Plan and the Other Post Employment Benefit (OPEB) Plans. It also contains information describing various legislative and other changes that occurred during Fiscal Year 2009.

Dr. Lisa K. Shapiro
Chair
Board of Trustees

The twelve months that ended on June 30, 2009, were the most tumultuous financial times that the world has experienced in decades. Poor investment returns and their impact on plans such as the NHRS have been the source of international headlines. The year was marked by significant government interventions that were intended to stabilize world financial systems and global markets. Despite these efforts, equity markets fell sharply and broadly. For example, during Fiscal Year 2009 the Russell 3000 Index, a benchmark for U.S. equity markets, fell 26.6%. Globally, the MSCI All-Country World Index (ex-U.S.) fell 30.9%. In this environment the NHRS investment portfolio lost 18.1%, compared to the return of its benchmark portfolio which lost 17.2%. The benchmark is comprised of major market indices in weighted proportion to the System's allocation of investment assets.

Despite those sobering results, it is fair to say that the last four months of the fiscal year treated NHRS much more kindly than the first eight months. From a low point on March 9th the value of the NHRS investment portfolio recovered substantially to stand at $4.4 billion at fiscal year end. Asset values continued to improve after the close of the fiscal year and stood at approximately $4.9 billion at the end of October 2009. While this is still well below the NHRS' historic high point of $6.0 billion in fiscal 2007, it represents a significant turnaround.

Many of our friends and neighbors are re-thinking their retirement prospects because the value of their defined contribution plan has fallen significantly. This makes it worthwhile to remind our members that the NHRS offers a defined benefit plan. Our retired members receive their defined benefits every month, and they will continue to do so. As stated in prior reports, investment returns are the single most important source of funds with which the NHRS will pay future benefits to its members. Accordingly, the NHRS maintains a long-term investment horizon. And while drops in market value can and will occur, even when they are as severe as have been experienced in the last year, we will maintain a disciplined approach to investing for the long term.

During Fiscal 2009, primarily as a result of the decline in value of our investments, the funding status of the NHRS weakened, albeit less dramatically than many of our peers. The funding status is measured by comparing the net assets available to pay benefits to the benefits owed now and in the future. The resulting measurement is called the funded ratio. As of fiscal year end the funded ratio of the Pension Plan stood at 58.3% and the OPEB Plans at 26.3% versus 67.8% and 26.2% in the previous year, respectively. While a balanced approach to managing our investments is important, strong investment returns alone will not be enough for the NHRS to meet its long-term target funding level. Employer contributions will rise significantly beginning on July 1, 2011. Improving the funding status of the NHRS remains a top priority for the Trustees.

The current weak funding status is also a reflection of the fact that historically the benefit levels imposed by statutory mandates were not funded sufficiently by contribution rates. Prior to the changes adopted by the Legislature during FY 2007 and FY 2008, the actuarial methodology and accounting practices used by the NHRS for more than 15 years led to overstating the true funding status of the trust, which resulted in employer contribution rates that were too low, and a weak funding ratio. Thus current and future employer rates have to make up the shortfall. These structural issues have been addressed and the system is working through voluntary IRS procedures to assure compliance.

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Fiscal Year 2009 marked the continued implementation of these reforms that were designed to strengthen the governance and long-term stability of the NHRS. Fiscal Year 2008 legislation established the Independent Investment Committee, which became effective January 1, 2009, with a mandate to bring additional investment expertise to the investment process for the benefit of our members. The committee is charged with investing in accordance with policies established by the Board, making recommendations to the Board regarding investment consultants, asset allocation, and other policy matters, and various other duties. The Board and Independent Investment Committee are in the process of carefully evaluating the NHRS' investment policies and strategy for any necessary changes, with the assistance of its investment consultant and actuary. The Independent Investment Committee is also charged with preparing a separate report on the investment activities of the System. The Investment Report draws from the information contained in this report and is presented under separate cover.

Activities continue in the Legislature to analyze the benefit structure and financing and employer sharing arrangements. Commissions studying future funding of Cost of Living (COLA) benefits and retiree health care continued their work during 2009, and are expected to report before the end of the calendar year. The 2009 Legislature enacted Temporary Supplemental Allowances, a COLA, and various other retirement-related provisions. A number of changes in benefit levels enacted during the FY 2008 and FY 2009 legislative sessions are also being challenged in court by member and retiree associations. NHRS continues to monitor these developments closely, participating to the extent prudent as fiduciaries, to ensure the long-term stability of the NHRS.

Fiscal Year 2009 was also a year of change in the leadership of the NHRS. During the last 12 months we have welcomed three new members of the Board. Debra Hackett, Jill Rockey, and Danny O'Brien have succeeded Joe Morris, Steve Arnold, and Debra Douglas, respectively. Ms. Hackett was drawn from our teacher group and Ms. Rockey from our police member group. Mr. O'Brien, with substantial financial and management experience, serves as a non-member trustee and as Vice Chair of the Board. We look forward to their contributions, and we thank their predecessor trustees for their years of dedicated service.

The past year saw the departure of both our Executive Director and Director of Investments after relatively short tenures. These changes followed years of transitions and turnovers in leadership of the System. This year we hired a new Executive Director, and we expect to complete the hire of a new Director of Investments by year end. The Board remains focused on improving performance, efficiency, and accountability of the organization and has established several committees to more effectively monitor and participate in this process. A full report on the operations of the committees will be available at year end. We have also brought much greater transparency to the New Hampshire Retirement System.

As the NHRS engages with its many stakeholders, building the relationships that will help us address the challenges of the years ahead, I would like to thank my fellow Board members and the NHRS staff for their efforts during the past year. We continue to make progress with implementing the necessary changes to support the long-term stability of the NHRS. The Board is committed to meeting these challenges and fulfilling its fiduciary responsibility to members and their beneficiaries.

Sincerely,

Dr. Lisa K. Shapiro
Chair of the Board of Trustees
New Hampshire Retirement System

Board Of Trustees

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

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Independent Investment Committee

Independent Members

David A. Jensen
Term began January 1, 2009

Patrick O'Donnell
Term began May 6, 2009

Thomas Silvia
Term began February 4, 2009

Trustee Members

State Senator Harold Janeway
Chair

Dr. Lisa K. Shapiro

Left to right: Patrick O'Donnell, Thomas Silvia, State Senator Harold Janeway, Chair, Dr. Lisa K. Shapiro, David A. Jensen.

Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

New Hampshire Retirement System

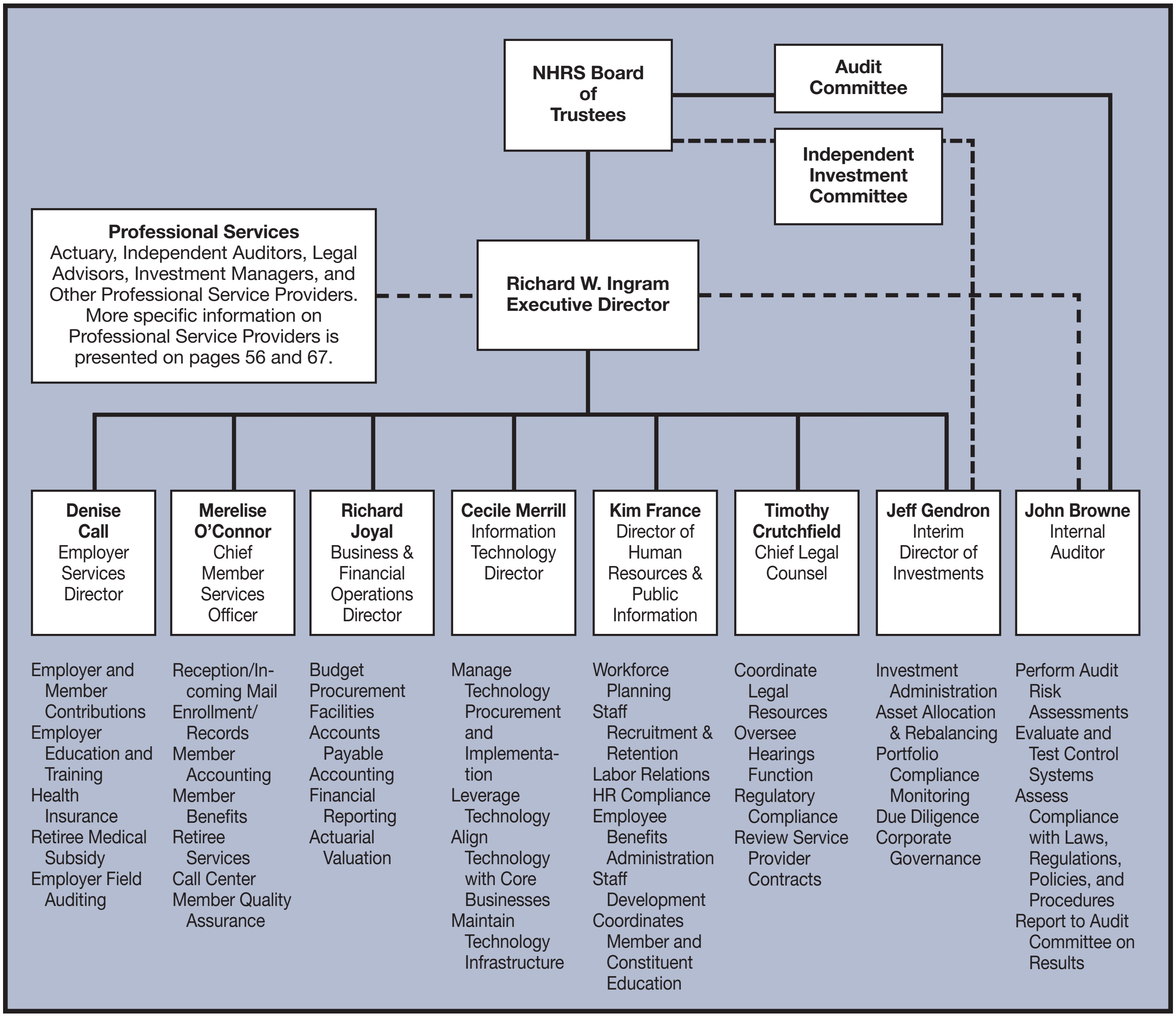
For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008

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

President

Executive Director

Administrative Organization



Left to right: Richard Joyal, Timothy Crutchfield, Merelise O'Connor, John Browne, Kim France, Executive Director Richard W. Ingram, Denise Call, Cecile Merrill, Jeff Gendron.

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Professional Managers, Advisors and Service Providers

DOMESTIC EQUITY MANAGERS

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

INTERNATIONAL & GLOBAL EQUITY INCOME MANAGERS

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

FIXED INCOME MANAGERS

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

VENTURE CAPITAL INVESTMENT MANAGERS

APA Excelsior IV & V, L.P.
APAX Excelsior VI
Castle Harlan Partners III, L.P.
Castle Harlan Australian Mezzanine Partners, L.P.
Coral Partners IV, L.P.
Euclid Partners IV, L.P.
Euclid SR Partners, L.P.
HEV III US, L.P.
MatlinPatterson Global Opportunities Partners II, L.P.
New England Growth Fund II, L.P.
RFE Investment Partners VI, L.P.
Richland Ventures I & II, L.P.
Sprout VI, VII & VIII, L.P.
The Venture Capital Fund of New England III, L.P.
VSS Communications Partners IV, L.P.

ABSOLUTE RETURN INVESTMENT MANAGERS

Arden Capital Management, LLC
Relational Investors, LLC

ALTERNATIVE INVESTMENT SERVICE PROVIDER

Citi Private Equity Services

LEGAL ADVISORS

Bernstein Shur
Getman, Stacey, Schulthess & Steere, P.A.
Groom Law Group
IceMiller LLP
Morgan, Lewis & Bockius LLP
Peter T. Foley, Esquire
Sheehan, Phinney, Bass & Green, P.A.

INDEPENDENT AUDITORS

KPMG LLP

INVESTMENT ADVISOR

NEPC, LLC

ACTUARIAL CONSULTANT

Gabriel, Roeder, Smith & Company

REAL ESTATE MANAGERS

Hart Advisers, Inc.
LaSalle Investment Management
The Townsend Group

CUSTODIANS

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

CORPORATE GOVERNANCE SERVICES

RiskMetrics Group

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NHRS
New Hampshire Retirement System

December 10, 2009

Dear Chair and Members of the Board of Trustees:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the New Hampshire Retirement System (NHRS) for the fiscal year ended June 30, 2009. This comprehensive report is designed to comply with the provisions of the Revised Statutes Annotated (RSA) 100-A:15, VI of the State of New Hampshire.

Richard W. Ingram
Executive Director

NHRS's management is responsible for the complete and fair presentation of financial information and the accompanying disclosures in this report. This report fairly presents the combined assessment of the investment results and the financial condition of the Pension Plan and the Postemployment Medical Plans.

The Pension Plan was established in 1967 to consolidate and replace four separate pension plan systems: the New Hampshire Teachers Retirement System, the New Hampshire State Employees Retirement System, the New Hampshire Policemen's Retirement System, and the New Hampshire Permanent Firemen's Retirement System. The Pension Plan provides service retirement, disability and survivor benefits for all full-time state employees, public school teachers and administrators, permanent police officers, and permanent firefighters. Full-time employees of political subdivisions (such as county, municipal or school district employees) are also eligible to become members if the local governing body elects participation. The Pension Plan is a qualified governmental plan within the meaning of section 414(d) of the United States Internal Revenue Code and has a separately appointed governing body. Based on financial reporting guidelines, the Pension Plan is deemed to be a single pension plan. In addition, NHRS administers four postemployment medical plans (OPEB Plans) for qualified Group I and Group II members.

BUDGET CONTROLS AND NHRS ADMINISTRATION

The administrative budget for fiscal year 2009 was proposed by management, approved by the Board of Trustees, submitted under the budget preparation guidelines of the State of New Hampshire, and passed into law by the New Hampshire Legislature. For financial reporting purposes, NHRS is a component unit of the State of New Hampshire.

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

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

ACCOUNTING SYSTEM AND INTERNAL CONTROL

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

The management of NHRS is responsible for maintaining a system of internal controls which is designed to provide reasonable assurance that the assets are adequately safeguarded and the financial records and financial statements are fairly stated. We believe the existing internal accounting controls accomplish these objectives.

FINANCIAL PERFORMANCE

For the fiscal year ended June 30, 2009, Plan Net Assets decreased $1,135.8 million compared to a $370.9 million decrease for the prior year. The poor financial results for fiscal year 2009 are directly attributable to the impact of the worldwide economic crisis and recession on investments and the economy in general during the time period. Despite the difficulties of the past year, the last three months of the fiscal year began to show some positive results and provide a glimmer of hope as we look forward to fiscal year 2010. A detailed discussion of investment performance, the sources of additions, deductions, and results of operations is covered in the Management's Discussion and Analysis beginning on page 19.

FUNDING STATUS

In order to ensure that current and future retirement benefits are safeguarded and available to members at retirement, NHRS evaluates the actuarial value of the Plans' assets compared to the actuarial value of the Plan's liabilities as an indication of the extent to which the Plans are funded each year. This measure is called the plan funded ratio. Significant legislation has been enacted in both the 2009 and 2008 legislative sessions aimed at improving the funded ratios of the Plans.

The Pension Plan funded ratio at June 30, 2009 based on the June 30, 2009 actuarial valuation was 58.3%. The comparable funded ratio at June 30, 2008 based on the June 30, 2008 interim actuarial valuation was 67.8%. The decline in the Pension Plan funded ratio for fiscal year 2009 is primarily attributable to a significant decrease in the actuarial value of assets due to the poor economic and investment climate prevalent during the fiscal year combined with growth in the in the actuarial value of liabilities.

The funded ratios of the four OPEB Plans as of June 30, 2009 and June 30, 2008 are as follows:

		June 30 2009	**June 30 2008**
Group II	Police Officers and Firefighters OPEB Plan	44.1%	45.1%
Group I	Teachers OPEB Plan	8.3%	9.2%
Group I	Political Subdivision Employees OPEB Plan	59.0%	80.9%
Group I	State Employees OPEB Plan	0.0%	0.0%

A comprehensive analysis of funding progress for the Plans is provided in the Required Supplementary Information beginning on page 49.

INVESTMENTS

RSA 100-A:15 fully empowers the New Hampshire Retirement System Board of Trustees to set the investment policy for the NHRS. Effective January 1, 2009, an Independent Investment Committee was established by statute having the full power to invest and reinvest NHRS funds in accordance with the investment policy set by the Board of Trustees. Prior to January 1, 2009, the Board of Trustees had the full power to invest and reinvest NHRS funds.

The Independent Investment Committees consists of not more than 5 members, three of whom are not members of the Board of Trustees and two of whom are members of the Board of Trustees. The Trustees and Independent Investment Committee members are fiduciaries and discharge their duties solely in the interest of the Plans' participants and beneficiaries. In the management of the Plans' assets, the Board of Trustees and the Independent Investment Committee members must exercise care, skill, and caution under the circumstances then prevailing which a prudent person acting in a like capacity would use in the conduct of an activity of like character and purpose.

The annualized total fund investment return for the one year, three year, five year, ten year, and twenty year periods ended June 30, 2009 were –18.1%, –3.2%, 1.8%, 2.1%, and 8.3%, respectively. A discussion about comparative annualized returns, and related benchmark indices, for fiscal years 2009 and 2008 is presented in the Management's and Discussion and Analysis beginning on page 19.

MAJOR INITIATIVES

The NHRS faces many challenges in responding to a growing retirement-eligible population with increasing demands for plan information and services. Our focus has included streamlining business processes, revising and improving workflow, strengthening internal controls, and building a solid foundation on which to improve services to our members. Some of the major initiatives accomplished during fiscal year 2009 were:

- Completed a member records imaging project where over 85,000 member files previously stored as paper records have now been converted to digital format, totaling over four million images. The com-

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pletion of this project safeguards member records, and increases service efficiency by making them available to staff at their desktops. In the near future, members will also be able to access their records on-line.

- Selected NEPC to provide general consulting services for our alternative investment and marketable investment portfolios. NEPC designed an alternative investment policy, which was adopted by the Board of Trustees. They have also developed plans to implement an increase in the allocation to private equity and absolute return investments.
- Established the Independent Investment Committee and formulated the Investment Philosophy and Investment Committee Charter to guide its work.
- Conducted a competitive review of custodial banking services. This resulted in the re-engagement of the custodian to provide an expanded suite of services at lower cost. These new services will be implemented in fiscal year 2010 and will streamline the investment operation and expedite reporting.
- Retained a discretionary investment manager in the real estate asset class. This manager developed a real estate policy which was adopted by the Board of Trustees as well as a plan to diversify the real estate program utilizing funds rather than individual property holdings.

INDEPENDENT AUDIT

RSA 100-A:15 VI. (a) requires the Audit Committee of the Board of Trustees to engage the services of a qualified independent auditor to perform an annual audit each fiscal year. For fiscal year 2009, the Audit Committee designated KPMG LLP to conduct the annual audit. The independent auditors' report, audited financial statements, required supplementary information, and supporting schedules are included in the Financial Section of this report.

ACTUARIAL REVIEW AND VALUATION

An actuarial review of the mortality, service, withdrawals, and compensation experience of members is required by statute at least once during each five year period. The last actuarial review was performed during fiscal year 2005 by NHRS's former actuary, Buck Consultants LLC. The next actuarial experience study is scheduled to be conducted in 2010. An actuarial valuation of the assets and liabilities is required by statute at least once during each two year period. The most recent actuarial valuation was performed as of June 30, 2009 by the NHRS's current actuary, Gabriel, Roeder, Smith and Company. The June 30, 2009 actuarial valuation will be used to determine employer contribution rates for fiscal years 2012 and 2013. The actuarial certification and supporting statistics are included in the Actuarial and Statistical Sections of this report.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The NHRS *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2008 was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition in the area of state and local governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. A copy of the fiscal year 2008 award is presented on page 10.

ACKNOWLEDGMENTS

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

We would like to take this opportunity to express our gratitude to the Board of Trustees for its guidance and support and to the administrative staff for their dedication and commitment.

Respectfully submitted,

Richard W. Ingram
Executive Director

Richard R. Joyal
Business & Financial Operations Director

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TDD Access: Relay NH 1-800-735-2964 ~ Office Hours 8:00 AM–4:00PM ~ www.nhrs.org

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NEW HAMPSHIRE RETIREMENT SYSTEM

Financial Section

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Independent Auditors' Report

KPMG LLP
99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 507 8321
Internet www.us.kpmg.com

Independent Auditors' Report

The Board of Trustees
New Hampshire Retirement System:

We have audited the accompanying financial statements of the New Hampshire Retirement System (the System), a component unit of the State of New Hampshire, as of and for the year ended June 30, 2009, 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 2008 financial statements and, in our report dated November 21, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System 's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the System as of June 30, 2009, 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 19 through 24 and the historical pension information on pages 49 and 50 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 basic 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 basic financial statements. The supporting schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2009 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP

December 10, 2009

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Management's Discussion and Analysis—Required Supplementary Information

This section presents management's discussion and analysis of the New Hampshire Retirement System's (NHRS) financial performance during the fiscal year ended June 30, 2009 and is presented as a narrative overview and analysis in conjunction with the Letter of Transmittal included in the Introductory Section of the System's Comprehensive Annual Financial Report. The report presents the combined assessment of the financial performance of the Pension Plan and the OPEB Plans.

The discussion and analysis is intended to serve as an introduction to the basic financial statements. These statements include the Statements of Plan Net Assets, the Statements of Changes in Plan Net Assets, the related Notes to the Financial Statements, and the Required Supplementary Information for the fiscal year ended June 30, 2009 with summarized comparable totals for fiscal year 2008. The excess of assets over liabilities is reported as "Net Assets Held in Trust for Benefits."

FINANCIAL HIGHLIGHTS

Net assets decreased by $1,135.8 million (20.3%) from the prior year's net asset balance reflecting the impact of the worldwide economic crisis and recession which began during the latter part fiscal year 2008.

Net investment income during fiscal year 2009 declined by $995.2 million (239.9%) over the prior fiscal year. The decline in net investment income for fiscal year 2009 reflects a time-weighted return for the total fund during the year of –18.1% compared to a time-weighted investment return of -4.6% for the fiscal year ended June 30, 2008.

The total contributions received during the fiscal year were $404.0 million. For fiscal year 2008, total contributions received were $407.9 million.

Employer contributions for fiscal year 2009 increased to $261.5 million (4.6%) compared with employer contributions in fiscal year 2008 of $249.9 million. The increase in employer contributions in fiscal year 2009 was primarily due to higher aggregate compensation paid to members during the fiscal year.

Member contributions were $142.5 million in fiscal year 2009, a decrease of (9.8%) over fiscal year 2008 member contributions of $158.0 million. Member contribution rates remained the same for fiscal year 2009 and aggregate compensation was higher. Overall member normal contributions increased by 2.85% over the prior fiscal year but voluntary member contributions declined by $19.1 million (67.0%) over fiscal year 2008.

Benefits paid during fiscal year 2009 were $510.0 million, an increase of 14.6% over the benefits paid in fiscal year 2008 of $445.2 million. The increase in benefits paid in fiscal year 2009 is primarily due to an increase in the number of retirees, increased average benefit levels for those new retirees and temporary supplemental allowances granted to retirees through legislative action.

FINANCIAL ANALYSIS

The following schedules report the Condensed Comparative Plan Net Assets and the Condensed Comparative Changes in Plan Net Assets for the NHRS for the fiscal years ended June 30, 2009 and June 30, 2008.

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

	As Of June 30, 2009	As Of June 30, 2008	Amount Increase (Decrease)	Percentage Increase (Decrease)
Cash	$ 12.1	$ 2.8	$ 9.3	332.1%
Receivables	156.2	114.7	41.5	36.2%
Investments	4,400.3	5,541.1	(1,140.8)	(20.6%)
Cash Collateral on Securities Lending	301.1	510.5	(209.4)	(41.0%)
Other Assets	2.0	2.1	(0.1)	(4.8%)
Total Assets	**$4,871.7**	**$6,171.2**	**($1,299.5)**	**(21.1%)**
Cash Collateral on Securities Lending	301.1	510.5	($ 209.4)	(41.0%)
Other Liabilities	109.4	63.7	45.7	71.7%
Total Liabilities	**$ 410.5**	**$ 574.2**	**($ 163.7)**	**(28.5%)**
Net Assets Held in Trust for Benefits	**$4,461.2**	**$5,597.0**	**($1,135.8)**	**(20.3%)**

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Total assets decreased by $1,299.5 million (21.1%) in fiscal year 2009. Cash on hand at fiscal year end 2009 was $12.1 million (332.1%) higher than at fiscal year end 2008 reflecting the establishment of a $9.0 liquidity reserve. Receivables increased by $41.5 million (36.2%) over the prior fiscal year primarily due to an increase in the pending sale of securities at fiscal year end. Investments decreased by $1,140.8 million (-20.6%) in fiscal year 2009. The decline in investments is directly attributable to the worldwide economic crisis and recession that was prevalent throughout fiscal year 2009. Cash collateral on security lending declined $209.4 million (41.0%) in fiscal year 2009 compared to fiscal year 2008 as securities on loan decreased significantly over the prior fiscal year as a result of depressed investment markets. Other assets decreased by $0.1 million (4.8%) for fiscal year 2009. Other assets consist primarily of the capitalized cost of a pension administration system, net of depreciation.

Total liabilities decreased by $163.7 million (28.5%) at the end of fiscal year 2009. Security lending cash collateral was lower by $209.4 million (41.0%) over the prior fiscal year. The reason for the decline is discussed in the preceding paragraph. Other liabilities increased by $45.7 million (71.7%) over fiscal year 2008. The increase in other liabilities is primarily due to an increase in payables related to the pending purchase of securities.

Condensed Comparative Changes in Plan Net Assets — Combined Plans

(Dollar Values Expressed in Millions)

	Year Ended June 30, 2009	Year Ended June 30, 2008	Amount Increase (Decrease)	Percentage Increase (Decrease)
ADDITIONS:				
Employer Contributions	$ 261.5	$249.9	$ 11.6	4.6%
Member Contributions	142.5	158.0	(15.5)	(9.8%)
Net Investment Income (Loss)	(995.2)	(292.8)	(702.4)	(239.9%)
Other Income	1.6	2.2	(0.6)	(27.3%)
Total Additions to Plan Net Assets	**($ 589.6)**	**$117.3**	**($706.9)**	**(602.6%)**
DEDUCTIONS:				
Benefits Paid	$ 510.0	$445.2	$ 64.8	14.6%
Refunds of Contributions	24.2	32.3	(8.1)	(25.1%)
Administrative Expenses	7.2	6.9	0.3	4.3%
Other Deductions	4.8	3.8	1.0	26.3%
Total Deductions from Plan Net Assets	**$ 546.2**	**$488.2**	**$ 58.0**	**11.9%**
Total Changes in Plan Net Assets	**($1,135.8)**	**($370.9)**	**($764.9)**	**(206.2%)**

ADDITIONS TO PLAN NET ASSETS

For fiscal year 2009, the combined total of employer and member contributions decreased by $3.9 million (1.0%). Employer contributions increased from $249.9 million in fiscal year 2008 to $261.5 million (4.6%) in fiscal year 2009. The increase in employer contributions is primarily due an increase in the reported compensation paid to members in fiscal year 2009. Member contributions for fiscal year 2009 were $142.5 million, a decrease of $15.5 million (9.8%) from fiscal year 2008. Member normal contributions increased $3.7 million (2.85%) in fiscal year 2009 but voluntary member contributions decreased by $19.1 million (67.0%).

Over the long term, the Plan's investment portfolio has been a major source for additions to plan net assets. However, the investment markets declined significantly in fiscal year 2009 due to the worldwide economic crisis and recession. There was a net investment loss in fiscal year 2009 of $995.2 million compared with a net investment loss in fiscal year 2008 of $292.8 million. The net change from year to year was $702.4 million, a decrease from fiscal year 2008 of 239.9%. Of this decrease, there was net depreciation in the fair value of investments of $1,088.4 million in fiscal year 2009 compared to net depreciation in the fair value of assets in fiscal year 2008 of $393.2 million.

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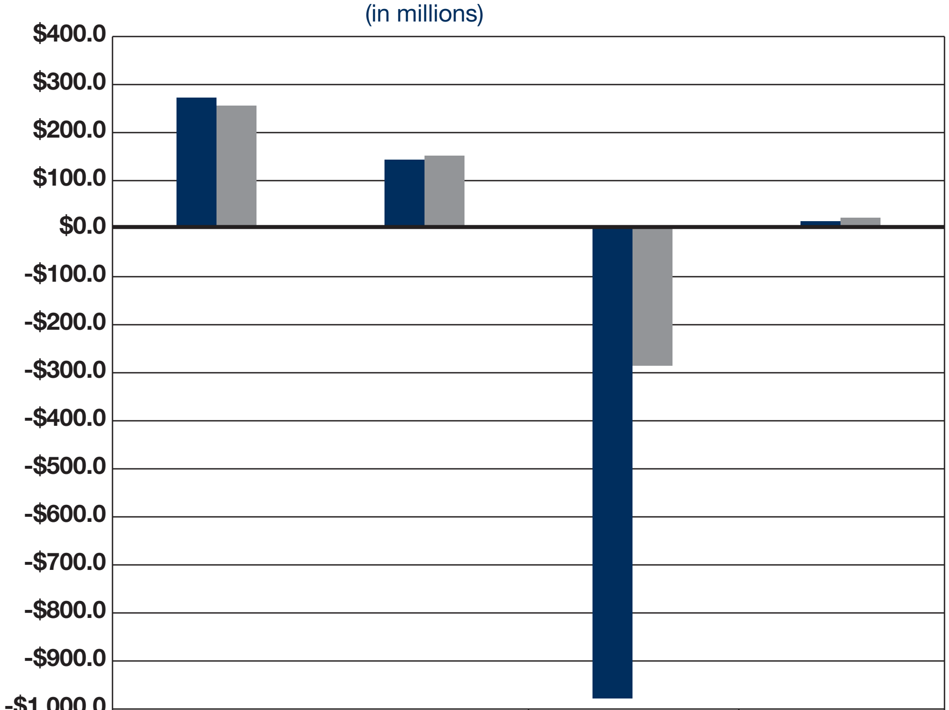
Additions to Plan Net Assets
Comparative Data for FY 2009 and FY 2008
(in millions)



	Employer Contributions	Member Contributions	Net Investment Income (Loss)	Other Additions
■ FY 2009	$261.5	$142.5	($995.2)	$1.6
■ FY 2008	$249.9	$158.0	($292.8)	$2.2

DEDUCTIONS TO PLAN NET ASSETS

Total benefits paid in fiscal year 2009 were $510.0 million, an increase of $64.8 million (14.6%) over the fiscal year 2008 level of $445.2 million. Pension benefits paid in fiscal year 2009 were $452.4 million an increase of $60.5 million (15.4%) compared with the pension benefits paid in fiscal year 2008 of $391.9 million. The increase in pension benefits paid in fiscal year 2009 is primarily due to an increase in the number of retirees, increased average benefit levels for those new retirees and temporary supplemental allowances granted to retirees through legislative action. OPEB benefits paid in fiscal year 2009 were $57.6 million, an increase of $4.3 million (8.1%) over the $53.3 million paid in fiscal year 2008. The increase in OPEB benefits paid is primarily due to increases in the number of eligible retirees receiving benefits. Refunds of contributions were $24.2 million, a decrease of $8.1 million (25.1%) over the 2008 level of $32.3 million. The decrease reflects a reduction in the number and dollar value of refund requests from terminated members in 2009.

Administrative expenses increased by $0.3 million (4.3%) in fiscal year 2009 to a level of $7.2 million compared with $6.9 million in 2008. Administrative expenses increased primarily due to increases in staff wages and benefits. In addition, approximately $1.70 million of expenditures for information technology support and system development were capitalized in fiscal year 2009 and those costs are not reflected in administrative expenses for 2009. The capitalized expenditures reflects the completion and implementation of a project to digitally image all member records formerly kept as paper thereby safeguarding them and providing improved access to those records. The capitalized costs will be depreciated over five years.

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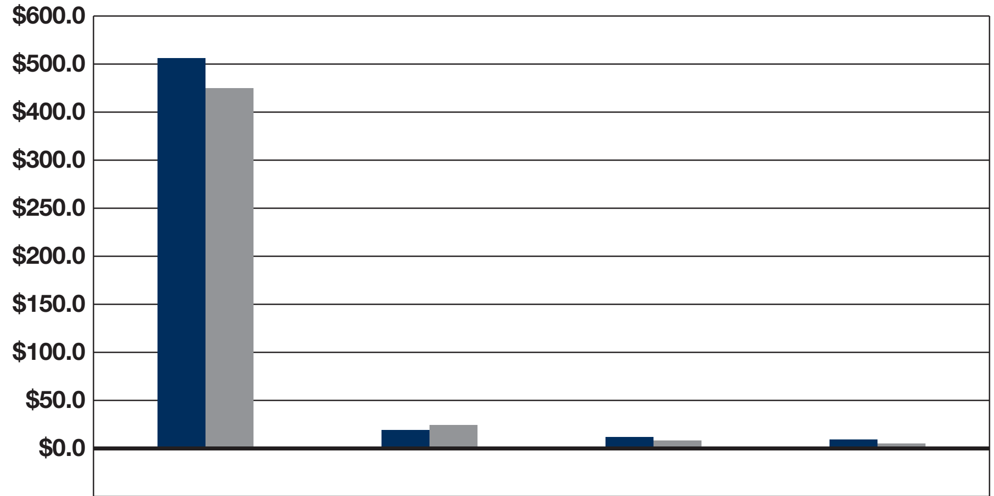
Deductions to Plan Net Assets
Comparative Data for FY 2009 and FY 2008
(in millions)



	Benefits Paid	Refunds	Administrative Expenses	Other Deductions
■ FY 2009	$510.0	$24.2	$7.2	$4.8
■ FY 2008	$445.2	32.3	$6.9	$3.8

PLAN FUNDING STATUS

Funded ratios are a useful measurement that can be used in conjunction with many other factors to assess the financial soundness of a pension plan or OPEB plan. A plan's funded ratio is calculated by dividing its actuarial value of assets at year end (5 year smoothing of fair values) by its actuarial accrued liability at year end. The actuarial accrued liabilities that were used to determine the funded ratios that follow for the Pension Plan and the OPEB Plans were determined using the entry age normal actuarial cost method for both fiscal year 2009 and 2008.

The Pension Plan actuarial accrued liability at June 30, 2009, based on the June 30, 2009 actuarial valuation, was $8,475.0 million. The actuarial value of assets available to pay pension benefits at June 30, 2009 was $4,937.3 million resulting in an unfunded actuarial accrued liability of $3,537.7 million and a funded ratio of 58.3% at June 30, 2009. For fiscal year 2008, the Pension Plan actuarial accrued liability at June 30, 2008, based on the June 30, 2008 interim actuarial valuation, was $7,821.3 million. The actuarial value of assets available to pay pension benefits at June 30, 2008 was $5,302.0 million resulting in an unfunded actuarial accrued liability of $2,519.3 million and a funded ratio of 67.8%. The significant decline in the funded ratio for fiscal year 2009 was a result of a 6.9% decrease in the actuarial value of assets reflecting the poor economic and investment climate during fiscal year 2009 combined with an 8.4% increase in the actuarial accrued liability during the same period.

The combined OPEB Plans actuarial accrued liability at June 30, 2009, based on the June 30, 2009 actuarial valuation, was $673.4 million. The actuarial value of assets available to pay postemployment medical benefits at June 30, 2009 was $176.8 million resulting in an unfunded actuarial accrued liability of $496.6 million and a funded ratio of 26.3% at June 30, 2009. For fiscal year 2008, the OPEB Plans actuarial accrued liability at June 30, 2008, based on the June 30, 2008 interim actuarial valuation, was $669.9 million. The actuarial value of assets available to pay OPEB benefits at June 30, 2008 was $175.2 million resulting in an unfunded actuarial accrued liability of $494.7 million and a funded ratio of 26.2%.

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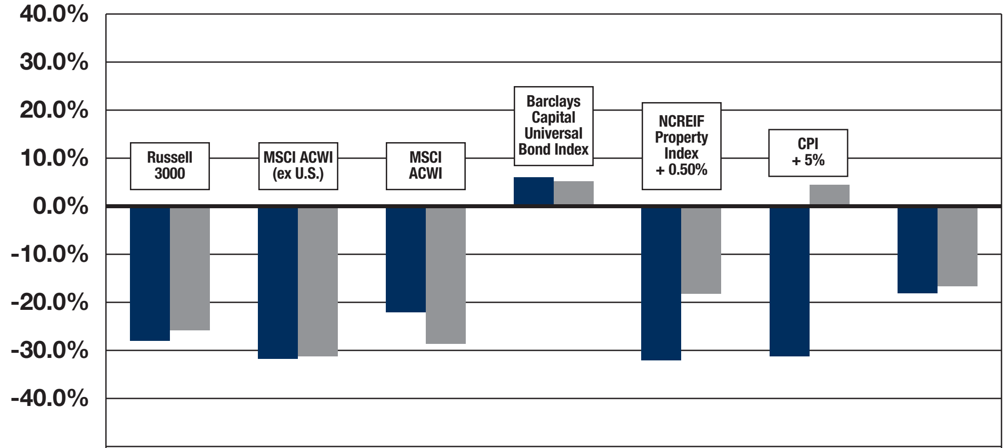
Investment Performance NHRS vs. Selected Indices
FY 2009



	Domestic Equity	International Equity	Global Equity	Fixed Income	Real Estate	Alternatives	Total Fund
■ NHRS	-28.0%	-31.1%	-21.9%	5.1%	-31.7%	-31.2%	-18.1%
■ Indices	-26.6%	-30.9%	-29.3%	4.9%	-18.8%	4.5%*	-17.2%**

* 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.

INVESTMENT PERFORMANCE

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

Equity (58.4%) and fixed income investments (30.4%) comprise approximately 88.8% of invested assets at June 30, 2009. The remaining 11.2% of assets are predominantly invested in cash and cash equivalents, real estate and alternative investments, including private equity and absolute return strategy investments for the purpose of seeking to earn enhanced returns and managing risk through diversification.

Investment performance results are measured by the relationship of the Plan's portfolio returns for equity and fixed income investments against widely accepted market indices. For the fiscal year ended June 30, 2009, the Plan's total fund return was –18.1% compared to –4.6% for the fiscal year ended June 30, 2008, a decrease of 13.5% on a year-to-year basis. The total NHRS fund performance of –18.1% for fiscal year 2009 fell short of the total fund custom index (a blended composition of major market indices in proportion to the NHRS's asset allocation) which returned –17.2% or 90 basis points better.

Investment returns were down sharply in fiscal year 2009 reflecting a continuation of the economic crisis that began in the last quarter of fiscal year 2008 and which then expanded into one of the worst worldwide economic recessions in many decades. The domestic equity portfolio lost 28.0% for fiscal year 2009 lagging the Russell 3000 benchmark by 140 basis points. International equity investments were down 31.1% under performing their MSCI ACWI (ex U.S.) benchmark by 20 basis points. Global equity investments lost 21.9% but out performed their MSCI ACWI benchmark by 740 basis points. Fixed income investments returned 5.1% and out performed their Barclays Capital Universal Bond benchmark by 20 basis points. The real estate portfolio lost 31.7% for fiscal year 2009 and fell well short of its NCREIF Property Index + 0.50% benchmark which was down 18.8%. The alternative investment asset class lost 31.2% for the fiscal year.

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CONTACTING NHRS

The Comprehensive Annual Financial Report is designed to provide a general overview of the NHRS's investment results and financial condition of the Pension Plan and OPEB Plans for the year ended June 30, 2009. Please contact the NHRS office at 603.410.3500 for additional financial information or for questions related to this report. Additional information on the NHRS can also be obtained from the NHRS website at www.nhrs.org.

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

FOR THE YEAR ENDED JUNE 30, 2009 (with summmarized financial information for the year ended June 30, 2008)

	PENSION PLAN 2009	GROUP II POLICE OFFICER & FIREFIGHTER OPEB PLAN 2009
ASSETS:		
Cash	$ 11,689	$ 271
Receivables:		
Due from Employers	22,158	—
Due from State	7,565	—
Due from Plan Members	16,144	—
Due from Group I State Employees OPEB Plan	—	—
Due from Brokers for Securities Sold	74,663	1,732
Interest and Dividends	11,550	268
Other	3,342	78
Total Receivables	**135,422**	**2,078**
INVESTMENTS AT FAIR VALUE		
Cash and Cash Equivalents:	111,474	2,586
Equity Investments:		
Domestic	1,718,244	39,858
International	767,041	17,793
Fixed Income Investments:		
Domestic	1,143,601	26,529
International	150,367	3,488
Real Estate	264,516	6,136
Alternative Investments	99,622	2,311
TOTAL INVESTMENTS	**4,254,865**	**98,701**
Cash Collateral on Security Lending	291,112	6,753
Other Assets	1,892	44
TOTAL ASSETS	**4,694,980**	**107,847**
LIABILITIES:		
Cash Collateral on Securities Lending	291,112	6,753
Management Fees and Other Payables	6,423	149
Security Lending Payable	5,357	124
Due to Group I Political Subdivision Employees OPEB Plan	—	—
Due to Brokers for Securities Purchased	76,832	1,782
TOTAL LIABILITIES	**379,724**	**8,808**
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER POST EMPLOYMENT BENEFITS (OPEB)	**$4,315,256**	**$99,039**

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

(in thousands)

GROUP I TEACHERS OPEB PLAN 2009	GROUP I POLITICAL SUBDIVISION OPEB PLAN 2009	GROUP I STATE EMPLOYEES OPEB PLAN 2009	TOTAL 2009	TOTAL 2008
$ 47	$ 82	$ —	$ 12,089	$ 2,838
—	—	—	22,158	21,523
—	—	—	7,565	7,229
—	—	—	16,144	15,697
—	17,710	—	17,710	16,917
297	522	—	77,214	35,586
46	81	—	11,945	13,267
13	23	—	3,456	4,488
356	**18,336**	**—**	**156,192**	**114,707**
444	781	—	115,285	110,262
6,836	12,046	—	1,776,984	2,221,792
3,052	5,378	—	793,264	925,901
4,550	8,017	—	1,182,697	1,527,485
598	1,055	—	155,508	196,352
1,052	1,855	—	273,559	412,474
396	699	—	103,028	146,805
16,928	**29,831**	**—**	**4,400,325**	**5,541,071**
1,158	2,041	—	301,064	510,542
8	13	—	1,957	2,125
18,497	**50,303**	**—**	**4,871,627**	**6,171,283**
1,158	2,041	—	301,064	510,542
26	45	—	6,643	6,477
21	38	—	5,540	—
—	—	17,710	17,710	16,917
306	539	—	79,459	40,300
1,511	**2,663**	**17,710**	**410,416**	**574,236**
$ 16,986	**$47,640**	**($17,710)**	**$4,461,211**	**$5,597,047**

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

FOR THE YEAR ENDED JUNE 30, 2009 (with summmarized financial information for the year ended June 30, 2008)

	PENSION PLAN 2009	GROUP II POLICE OFFICER & FIREFIGHTER OPEB PLAN 2009
ADDITIONS:		
Contributions (NOTE 6):		
Employers	$ 157,993	$ 13,669
State Contributions on Behalf of Local Employers	38,221	5,038
Total Employer Contributions	**196,214**	**18,707**
Plan Members	142,528	—
Total Contributions	**338,742**	**18,707**
Investment Income (Loss)		
From Investment Activities:		
Net Appreciation (Depreciation) in Fair Value of Investments	(1,052,109)	(22,978)
Interest	54,446	1,189
Dividends	34,907	762
Net Real Estate Income	22,268	486
Alternative Investment Income (Loss)	(8,432)	(184)
Total Income (Loss) from Investment Activities	**(948,920)**	**(20,725)**
Less: Investment Expenses:		
Investment Management Fees	14,381	314
Custodial Fees	656	14
Investment Advisor Fees	1,084	24
Total Investment Activity Expenses	**16,121**	**352**
Total Net Income (Loss) from Investment Activities	**(965,041)**	**(21,077)**
From Securities Lending Activities (NOTE 3):		
Securities Lending Income	6,629	145
Less: Securities Lending Borrower Rebates	3,015	66
Less: Securities Lending Management Fees	630	14
Net Income from Securities Lending Activities	**2,984**	**65**
Total Net Investment Income	**(962,057)**	**(21,012)**
Other	622	14
TOTAL ADDITIONS	**(622,693)**	**(2,291)**
DEDUCTIONS:		
Benefits Paid	452,380	15,688
Refunds of Contributions	24,204	—
Administrative Expense (NOTE 7)	6,968	152
Professional Fees	1,372	30
Other	2,331	51
TOTAL DEDUCTIONS	**487,255**	**15,921**
CHANGE IN NET ASSETS	**($1,109,948)**	**($ 18,212)**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)		
Beginning of the Year	$5,425,204	$117,251
End of the Year	$4,315,256	$ 99,039

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

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(in thousands)

GROUP I TEACHERS OPEB PLAN 2009	GROUP I POLITICAL SUBDIVISION OPEB PLAN 2009	GROUP I STATE EMPLOYEES OPEB PLAN 2009	TOTAL 2009	TOTAL 2008
$15,295	$12,381	$11,150	$ 210,488	$ 199,701
7,703	—	—	50,962	50,202
22,998	**12,381**	**11,150**	**261,450**	**249,903**
—	—	—	142,528	157,985
22,998	**12,381**	**11,150**	**403,978**	**407,888**
(4,047)	(9,258)	—	(1,088,392)	(393,173)
209	479	—	56,323	63,768
134	308	—	36,111	39,097
86	196	—	23,036	23,016
(32)	(74)	—	(8,722)	1,742
(3,650)	**(8,349)**	**—**	**(981,644)**	**(265,550)**
55	127	—	14,877	20,136
3	6	—	679	477
4	9	—	1,121	1,153
62	**142**	**—**	**16,677**	**21,766**
(3,712)	**(8,491)**	**—**	**(998,321)**	**(287,316)**
25	58	—	6,857	21,557
12	27	—	3,120	27,014
2	6	—	652	—
11	**25**	**—**	**3,085**	**(5,457)**
(3,701)	**(8,466)**	**—**	**(995,236)**	**(292,773)**
2	1,023	—	1,661	2,213
19,299	**4,938**	**11,150**	**(589,597)**	**117,328**
24,489	6,496	10,926	509,979	445,174
—	—	—	24,204	32,297
27	61	—	7,208	6,895
5	12	—	1,419	1,424
9	21	1,017	3,429	2,407
24,530	**6,590**	**11,943**	**546,239**	**488,197**
($ 5,231)	**($ 1,652)**	**($ 793)**	**($1,135,836)**	**($370,869)**
$22,217	$49,292	($16,917)	$5,597,047	$5,967,916
$16,986	$47,640	($17,710)	$4,461,211	$5,597,047

NOTE 1 — NEW HAMPSHIRE RETIREMENT SYSTEM

The New Hampshire Retirement System (NHRS) is a public employee retirement system that administers one cost-sharing multiple-employer pension plan (Pension Plan) and four separate cost-sharing multiple-employer postemployment medical subsidy healthcare plans. Collectively the Pension Plan and the postemployement medical subsidy healthcare plans are hereafter referred to as the Plans.

Although the assets of the Plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms. Accordingly, the results of each plan are presented separately in the accompanying financial statements.

NHRS participates as an employer in the Plans and its employees are members of the Plans. For the fiscal years ended June 30, 2009, 2008, and 2007, NHRS made its required employer contributions of $302, $235, and $178 thousand, respectively, to the Plans for its employees. NHRS employees contributed $173, $134, and $131 thousand, respectively, on their own behalf to the Pension Plan for the same time periods.

The administrative office of NHRS, which functions as a self-sustaining governmental entity, operates under a budget which is proposed by management, approved by the Board of Trustees, submitted under the budget preparation guidelines of the State of New Hampshire, and passed into law by the New Hampshire Legislature.

In accordance with Governmental Accounting Standards Board (GASB) No. 14, the New Hampshire Retirement System is a component unit of the State. This determination was made on the basis of fiscal dependence on the State solely for budget oversight over certain administrative expenses. A copy of the State of New Hampshire's CAFR may be viewed at www.admin.state.nh.us/accounting/.

PENSION PLAN

The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The type and number of employers contributing to the Pension Plan during the years ended June 30, 2009 and 2008 are presented below.

EMPLOYERS CONTRIBUTING	2009	2008
State Government	5	5
City Governments	13	13
Town Governments and Related Entities	243	239
County Governments and Related Entities	12	12
School Districts and School Administrative Units	202	203
Total Employers	**475**	**472**

As of June 30, 2009 and 2008, membership data related to the Pension Plan was as follows:

MEMBERSHIP DATA	2009	2008
Retirees and beneficiaries currently receiving benefits	24,501	22,870
Terminated employees entitled to benefits but not yet receiving them	1,391	1,423
Active plan participants	51,032	50,988
Inactive plan participants	5,353	3,332
Total Membership	**82,277**	**78,613**

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

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

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

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

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

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

OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB)

Pursuant to RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b, the NHRS administers four defined benefit postemployment medical subsidy healthcare plans designated in statute by membership type. The four plans are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees. Collectively, they are referred to as the OPEB Plans.

The OPEB Plans provide a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. Detailed descriptions of those eligibility requirements can be found in the Actuarial Section beginning on page 72.

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

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

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

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

Membership of each OPEB plan consisted of the following eligible retirees receiving benefits as of June 30, 2008.

Plan	Number Of Retirees	1 Person Plan Pre 65	1 Person Plan Post 65	2 Person Plan Pre 65	2 Person Plan Post 65
Group II Police Officer & Firefighters	2,400	525	1,010	842	23
Group I Teachers	3,690	955	2,227	368	140
Group I Political Subdivision Employees	1,167	225	825	106	11
Group I State Employees	2,327	250	1,790	210	77
Total OPEB Membership	**9,584**	**1,955**	**5,852**	**1,526**	**251**

The number of contributing employers for each of the OPEB plans at June 30, 2008 is:

Group II Police Officer & Firefighters	202
Group I Teachers	191
Group I Political Subdivision Employees	409
Group I State Employees	5

The maximum monthly subsidy amounts paid during fiscal year 2009 and 2008 were as follows:

For qualified retirees not eligible for Medicare the amounts were $375.56 for a single person plan and $751.12 for a two person plan. For those qualified retirees eligible for Medicare, the amounts were $236.84 for a single person plan and $473.68 for a two person plan. The monthly maximum subsidy amount payable was increased by 8.0% on July 1, 2007. There will be no increase in the monthly maximum subsidy on July 1, 2008, 2009, 2010, and 2011. A 4.0% annual increase will resume beginning on July 1, 2012 and each July 1st thereafter.

Benefit provisions of the OPEB Plans can be amended only by legislative action taken by the New Hampshire State Legislature pursuant to the authority granted them under the New Hampshire State Constitution. The Legislature may cease providing the medical subsidy benefits under the OPEB Plans, for any reason, at any time.

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

BASIS OF ACCOUNTING

Investment income and investment expenses are prorated between the Plans based on the net assets. 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

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investments is recorded as an increase (decrease) to investment income based on the valuation of investments as of the date of the financial statements.

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, 2008, from which the summarized information was derived.

INVESTMENTS

Investments in both domestic and international securities are valued at current market prices and international securities are expressed in U.S. dollars. Fixed income investments include investments in international and U.S. bonds. International equity represents investment in non-U.S. stocks only. Global equity investments include both international and U.S. securities. NHRS uses the trade date basis for accounting of these investments.

Real estate includes both direct property holdings and commingled funds. Real estate properties are organized into separate holding companies for the purpose of limiting liability to the carrying value of each individual property. The appraised value of the real estate, as well as the fair value of the related assumable mortgage notes payable are considered in determining the fair value of these investments. NHRS has adopted a cyclical approach for external appraisals. Properties are selected for external appraisals based on the advice of NHRS's discretionary real estate manager. Investment manager fair value estimates are used during the interim years. Due to significant valuation changes during the fiscal year, all property holdings were externally appraised as of June 30, 2009. Properties held for sale are reported net of disposition costs. Real estate commingled funds are selected by the NHRS's discretionary real estate manager.

Alternative investments include investments in venture capital funds, buyout funds, distressed debt, and absolute return strategies. Alternative investments are valued at fair value as estimated by NHRS. This estimated fair value is determined in good faith by NHRS and is based on the percentage 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 NHRS'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 Independent Investment Committee to reinvest these funds to other asset classes.

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

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 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, provides separate and specific authorities to the members of the Board of Trustees and the Independent Investment Committee for the management of funds for the Plans and charges them with exercising the judgment and care under the circumstances then prevailing, which persons of prudence, discretion and intelligence, acting in a like capacity and familiar with such matters, would use in the conduct of a pension plan of like character and with like aims of the Plans.

To aid in the prudent investment of the Plans' assets, NHRS has adopted a formal statement of investment policy. Primary components of the policy include the delineation of roles and responsibilities of Trustees, Independent Investment Committee, staff, and service providers; investment oversight considerations; asset allocation policy; and asset class performance measurement and monitoring policy. This policy may be modified by the Board of Trustees as deemed necessary. In addition, NHRS maintains portfolio-level investment management objectives, guidelines and restrictions.

Professional investment managers are bound by policy and contract to a standard of care that establishes a fiduciary relationship, to the extent permitted by law, requiring the manager to act prudently and solely in the best interest of the Plans and its beneficiaries. The investment guidelines provide parameters for portfolio management including permissible investment types; security concentration thresholds; investment restrictions; and benchmarks for performance measurement and monitoring. NHRS utilizes a custodial bank compliance system to monitor the investment portfolios against the respective guidelines.

CUSTODIAL CREDIT RISK — DEPOSITS

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

At June 30, 2009 and June 30, 2008, NHRS held deposits of $12,089 and $2,838 thousand, respectively, in the local custodian bank. These deposits are used to support the daily working capital needs of NHRS. The following schedule shows NHRS's exposure to custodial credit risk at June 30, 2009 and June 30, 2008.

(in thousands)

	June 30 2009	June 30 2008
Insured	$ 250	$ 100
Uninsured and uncollateralized	$11,839	$2,738
Total Deposits	**$12,089**	**$2,838**

CUSTODIAL CREDIT RISK — INVESTMENTS

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

a. The counterparty to a transaction or
b. The counterparty's trust department or agent but not in the Plans' name.

NHRS does not have a policy to control custodial credit risk on investments. All marketable investments are held by the Plans' master custodian. At June 30, 2009 and 2008, there were no investment securities held by the master custodian that were uninsured and not registered in the Plans' name.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributable to the magnitude of the Plans' investments in a single issuer. Individual separate account manager guidelines limit investments in a single issuer to 10%, or less, of the portfolio value in order to control the overall risk of loss on a total portfolio level. This threshold is set as an upper limit, and in actual practice, managers generally do not reach this limit. By extension, the total portfolio is the sum of its component parts, so the concentration in a single issuer will be 10% or less, in aggregate. Certain securities may be excluded from this limitation due to the nature of the investments (U.S. government securities, government-sponsored enterprise obligations, and supranational debt). The two commingled fund fixed income managers have established investment guidelines regarding concentration of credit risk. The goal is to maintain a broadly diversified investment portfolio and to limit investments on a total portfolio level to a concentration less than 10% in any single issuer.

At June 30, 2009 the Plans held investments in two commingled equity index funds and two commingled fixed income index funds that represented 25.2% and 11.3% of total investments, respectively. At June 30, 2009 and June 30, 2008, there were no securities held in the Plans' separate account investment portfolios that exceeded 5% in a single issuer.

INTEREST RATE RISK — FIXED INCOME INVESTMENTS:

Interest rate risk involves adverse impacts on the fair value of fixed income investments from changes in interest rates. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted in relation to the investment's full price.

Interest rate risk is illustrated below using the effective duration or option-adjusted methodology. It is a widely-used concept in the management of fixed income portfolios for quantifying the risk of interest rate changes. The effective duration methodology takes into account the most likely timing and magnitude of variable cash flows, such as callable options, prepayments and other factors, and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve.

Duration guidelines have been established with each individual fixed income manager in order to control the portfolio's exposure to fair value loss arising from movements in interest rates. These provisions specify that the duration of each individual fixed income portfolio will be managed within a specified percentage or number of years relative to its benchmark index.

It is believed that the effective duration tables on the next page quantify to the fullest extent possible the interest rate risk of the Plans' fixed income assets at June 30, 2009 and 2008.

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EFFECTIVE DURATION — FIXED INCOME INVESTMENTS AT JUNE 30, 2009

(in thousands)

	Investment Maturities (In Years)			
Investment Type	Fair Value June 30, 2009	Percentage of Fixed Income Investments	Effective Duration in Years	Weighted Average Effective Duration in Years
Asset Backed Securities	$ 11,041	0.8%	6.9	0.1
Commercial Mortgage Backed	39,970	3.1%	3.6	0.1
Corporate Bonds[2]	289,688	22.7%	7.7	1.7
Government Agencies	43,186	3.4%	7.2	0.2
Government Bonds	109,471	8.5%	6.9	0.6
Government Mortgage Backed	232,224	18.2%	4.9	0.9
Guaranteed Fixed Income	4,594	0.4%	2.9	—
Municipal/Provincial Bonds[2]	14,967	1.2%	4.7	0.1
Non-Government Backed C.M.O.[2]	34,549	2.7%	—	—
NTGI Daily Aggregate Bond Index Fund[1]	230,577	18.0%	4.3	0.7
Pyramis Core Plus Commingled Pool	268,273	21.0%	3.9	0.8
Totals	**$1,278,540**	**100.0%**		**5.2**

[1]Due to availability of data, modified adjusted duration, in lieu of effective duration is shown as of June 30, 2009 for the NTGI Collective Daily Aggregate Bond Index Fund.

[2]Corporate Bonds of $168, Municipal/Provincial Bonds of $6,023, and Non-Government Backed C.M.O. of $53,475 have been excluded due to availability of data.

EFFECTIVE DURATION — FIXED INCOME INVESTMENTS AT JUNE 30, 2008

(in thousands)

	Investment Maturities (In Years)			
Investment Type	Fair Value June 30, 2008	Percentage of Fixed Income Investments	Effective Duration in Years	Weighted Average Effective Duration in Years
Asset Backed Securities	$ 3,735	0.2%	17.7	—
Commercial Mortgage Backed	43,495	2.6%	3.4	0.1
Corporate Bonds[2]	259,474	15.3%	7.3	1.1
Government Agencies[2]	39,195	2.3%	5.6	0.1
Government Bonds[2]	189,237	11.2%	4.9	0.5
Government Mortgage Backed	230,335	13.6%	6.7	0.9
Municipal/Provincial Bonds[2]	12,094	0.7%	5.4	—
Non-Government Backed C.M.O.	74,276	4.4%	7.6	0.3
NTGI Daily Aggregate Bond Index Fund[1]	554,244	32.7%	4.7	1.5
Pyramis Core Plus Commingled Pool	287,100	17.0%	4.7	0.8
Totals	**$1,693,185**	**100.0%**		**5.3**

[1]Due to availability of data, modified adjusted duration, in lieu of effective duration, is shown as of June 30, 2008 for the NTGI Collective Daily Aggregate Bond Index Fund.

[2]Corporate Bonds of $13,485, Government Agencies of $401, Government Bonds of $9,417, and Municipal/Provincial Bonds of $5,874 have been excluded due to availability of data.

CREDIT RISK — FIXED INCOME SECURITIES:

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

NHRS controls credit quality risk on debt securities by establishing requirements for average credit quality at the separate account portfolio level and through credit quality standards for individual securities. The NHRS uses conservative standards with regard to securities rated by nationally recognized statistical rating organizations ("NRSRO") in that the lowest agency ratings are used for evaluating credit quality. The investment guidelines are customized to the individual manager's strategy. The two commingled fund fixed income managers have established investment guidelines regarding concentration of credit risk.

The schedules on the next page show the Plans' fixed income investments as of June 30, 2009 and 2008, including the distribution of those investments by Standard & Poor's quality credit ratings.

CREDIT QUALITY RISK — FIXED INCOME SECURITIES AT JUNE 30, 2009

(in thousands)

		Quality Ratings				
Investment Type	**Fair Value June 30, 2009**	**AAA**	**AA**	**A**	**BBB or Lower**	**Unrated**
Asset Backed Securities	$ 11,041	$ 11,041	—	—	—	$ —
Commercial Mortgage Backed	39,970	31,519	—	—	—	8,451
Corporate Bonds	289,856	6,038	60,232	104,757	114,198	4,631
Government Agencies[1]	29,074	26,470	—	1,676	—	928
Government Bonds[1]	84,770	35,837	—	23,155	12,694	13,084
Government Mortgage Backed1	—	—	—	—	—	—
Guaranteed Fixed Income	4,594	—	—	—	—	4,594
Municipal/Provincial Bonds	20,990	2,190	10,377	3,230	832	4,361
Non-Government Backed C.M.O.	88,024	54,470	—	4,740	24,251	4,563
NTGI Daily Aggregate Bond Index Fund[2]	230,577	—	—	—	—	230,577
Pyramis Core Plus Commingled Pool[2]	268,273	—	—	—	—	268,273
Totals	**$1,067,169**	**$167,565**	**$70,609**	**$137,558**	**$151,975**	**$539,462**
Percent of Total Fair Value		**15.7%**	**6.6%**	**12.9%**	**14.2%**	**50.6%**

[1]Government Agencies ($14,112), Government Bonds ($24,701), and Government Mortgage Backed ($232,224) exclude U.S. government securities and securities explicitly guaranteed by the U.S. government because these securities are not considered to have credit risk.

[2]NTGI Daily Aggregate Bond Index Fund has an average credit quality rating at June 30, 2009 of AA and Pyramis Core Plus Commingled Pool has an average credit quality rating at June 30, 2009 of A.

CREDIT QUALITY RISK — FIXED INCOME SECURITIES AT JUNE 30, 2008

(in thousands)

		Quality Ratings				
Investment Type	**Fair Value June 30, 2008**	**AAA**	**AA**	**A**	**BBB or Lower**	**Unrated**
Asset Backed Securities	$ 3,735	$ 3,735	—	—	—	—
Commercial Mortgage Backed	43,495	30,683	—	—	—	12,812
Corporate Bonds	272,959	24,625	53,998	76,859	99,469	18,008
Government Agencies	39,596	39,397	—	199	—	—
Government Bonds[1]	117,052	51,652	—	33,704	14,172	17,524
Government Mortgage Backed[1]	—	—	—	—	—	—
Municipal/Provincial Bonds	17,968	8,154	5,558	3,082	1,174	—
Non-Government Backed C.M.O.	74,276	70,288	1,670	—	—	2,318
NTGI Daily Aggregate Bond Index Fund[2]	554,244	—	—	—	—	554,244
Pyramis Core Plus Commingled Pool[2]	287,100	—	—	—	—	287,100
Totals	**$1,410,425**	**$228,534**	**$61,226**	**$113,844**	**$114,815**	**$892,006**
Percent of Total Fair Value		**16.2%**	**4.3%**	**8.1%**	**8.2%**	**63.2%**

[1]Government agencies ($1,475), Government bonds ($81,602), and Government mortgage backed ($230,335) exclude U.S. government securities and securities explicitly guaranteed by the U.S. government because these securities are not considered to have credit risk.

[2]NTGI Daily Aggregate Bond Index Fund has an average credit quality rating at June 30, 2008 of AA and Pyramis Core Plus Commingled Pool has an average credit quality rating at June 30, 2008 of A.

FOREIGN CURRENCY RISK — INVESTMENTS:

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

NHRS manages its foreign currency risk primarily through its strategic asset allocation policy. Investments in international equity securities have a target asset allocation of 15% of total investments with an acceptable target range of 11–19%. Global equity managers may also hold foreign investments. International fixed income securities represent 3.5% of the investment portfolio and allocations are revisited periodically. Commingled fund investments have established parameters for foreign exposure. Foreign investments are permitted in the alternative investment asset class which includes private equity and absolute return strategy investments. However, NHRS's investment policy does not set limits for foreign investments in this asset class. Up to 35% of the Plans' commingled fund real estate allocation may be invested in international investments.

In addition, NHRS manages its foreign currency risk exposure by requiring that the international and global securities investment managers maintain diversified portfolios by country, sector and by issuer to limit both foreign currency risk and security risk. In certain instances, where permitted in the investment guidelines, international and global investment managers may also use foreign currency forward contracts to hedge against foreign currency risk.

The Plans' exposure to foreign currency risk at June 30, 2009 and 2008 is presented on the schedules appearing on the next page.

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FOREIGN CURRENCY RISK — INTERNATIONAL INVESTMENTS AS OF JUNE 30, 2009

(in thousands)

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

FOREIGN CURRENCY RISK — INTERNATIONAL INVESTMENTS AS OF JUNE 30, 2008

(in thousands)

Currency	Equity	Fixed Income	Alternative Investments	Cash and Cash Equivalents	Totals
Marketable Investments:					
Argentine peso	$ —	$ —	$ —	$ 12	$ 12
Australian dollar	22,691	25,800	7,014	—	55,505
Brazilian real	11,825	11,070	—	—	22,895
Canadian dollar	31,779	20,438	—	110	52,327
Swiss franc	53,707	—	—	—	53,707
Czech koruna	932	—	—	—	932
Danish krone	14,079	—	—	—	14,079
Euro	171,211	—	—	—	171,211
British pound sterling	57,625	14,733	122	—	72,480
Hong Kong dollar	35,209	—	—	—	35,209
Indonesian rupiah	3,851	5,731	—	50	9,632
Iceland krona	—	4,347	—	—	4,347
Japanese yen	101,492	—	7,950	—	109,442
South Korean won	8,888	543	—	7	9,438
Mexican peso	8,178	13,852	—	596	22,626
Malayasian ringgit	1,076	14,350	—	—	15,426
Norwegian krone	6,455	2,757	—	—	9,212
New Zealand dollar	—	14,334	—	60	14,394
Polish zloty	516	11,839	—	—	12,355
Swedish krona	11,318	8,047	—	—	19,365
Singapore dollar	5,914	16,096	—	—	22,010
South African rand	835	7,870	—	—	8,705
Thai baht	—	1,578	—	—	1,578
Turkish lira	2,282	—	—	—	2,282
Total investments subject to foreign currency risk	**549,863**	**173,385**	**15,086**	**835**	**739,169**
United States dollars (securities held by international investment managers)	376,038	22,697	—	39,169	437,904
Total International Investments	**$925,901**	**$196,082**	**$15,086**	**$40,004**	**$1,177,073**

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DERIVATIVES

Derivative instruments are contracts whose value is based on the valuation of an underlying asset, reference rate or index. Derivatives include futures contracts, forward contracts, options contracts, forward foreign currency exchanges, asset-backed securities and mortgage-backed securities. NHRS managers may enter into certain derivative instruments primarily to enhance the performance and reduce the volatility of the portfolio. NHRS's investment policy and certain investment manager guidelines allow for the use of derivative instruments. The use of futures, options, or forward contracts is permitted for defensive purposes only and any speculative hedging or leveraging of the portfolios is prohibited.

Investments in asset-backed and mortgage-backed securities are reported at fair value. Asset-backed and mortgage-backed securities are based on the cash flows from interest and principal payments by the underlying assets and mortgages. As a result, they are sensitive to prepayments. As of June 30, 2009 and June 30, 2008, the Plans' combined investment in non-leveraged asset-backed and mortgage-backed securities totaled $343.8 million (7.8%) and $338.2 million (6.1%) of total investments, respectively.

NHRS managers may use futures, options, and currency forward contracts in order to manage currency risk of international investments. The Plans could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. To mitigate this risk, investment managers conduct assessments of their counter-parties and utilize exchanges which have trading standards. The fair value of open currency forward contracts including unrealized appreciation or depreciation is recorded on the Statements of Net Plan Assets as Due from Brokers for Securities Sold and as Due to Brokers for Securities Purchased.

Foreign currency exchange contracts open at June 30, 2009 and June 30, 2008 are shown below.

OPEN FOREIGN CURRENCY EXCHANGE CONTRACTS AT JUNE 30, 2009 (in thousands)

	Fair Value	Aggregate Cost Value	Delivery Dates	Unrealized Appreciation	Unrealized (Depreciation)
Foreign currency exchange contracts purchased:					
Australian dollar	$ 3,411	$ 3,112	08/10/09	$ 299	$ —
British pound sterling	30,729	30,326	09/04/09	403	—
Canadian dollar	5,522	5,461	08/07/09	61	—
Euro	25,031	25,503	09/08/09	—	(47
New Zealand dollar	2,003	1,828	08/13/09	175	—
Norwegian krone	1,885	1,800	07/17/09	85	—
South Korean won	3,365	3,293	07/07/09	72	—
Foreign currency exchange contracts sold:					
Hong Kong dollar	14	14	07/01/09	—	—
Japanese yen	45	46	07/01/09	1	—
South Korean won	211	204	07/07/09	—	(7)
Totals				**$1,096**	**($479)**

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OPEN FOREIGN CURRENCY EXCHANGE CONTRACTS AT JUNE 30, 2008 (in thousands)

	Fair Value	Aggregate Cost Value	Delivery Dates	Unrealized Appreci-ation	Unrealized (Depreci-ation)
Foreign currency exchange contracts purchased:					
Australian dollar	$ 195	$ 195	07/01/08	$—	$—
Japanese yen	782	770	07/01/08	12	—
Norwegian krone	2,347	2,340	07/11/08	7	—
Swedish krona	361	363	07/01/08–07/03/08	—	(2)
Turkish lira	6,869	6,816	07/01/08–07/28/08	53	—
Foreign currency exchange contracts sold:					
British pound sterling	$13,319	$13,148	09/22/08	$—	($171)
Danish krone	155	155	07/01/08	—	—
Euro	4	4	07/03/08	—	—
Hong Kong dollar	26	26	07/01/08	—	—
Mexican peso	334	334	07/01/08	—	—
Norwegian krone	2,347	2,279	07/11/08	—	(68)
Turkish lira	3,451	3,459	07/01/08	8	—
Totals				**$80**	**($241)**

SECURITIES LENDING

NHRS has a Securities Lending agreement with its master custodian. In accordance with this agreement the Plans participate 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 Plans receive a fee based on the fair value of the loaned securities. During the duration of the loan, the Plans receive dividends and coupon payments equivalent to amounts that would be received had the securities not been loaned.

Collateral loaned for securities may include U.S. and Non-U.S. currencies, Organization of Economic Cooperation and Development (OECD) government securities, equities, irrevocable letters of credit, approved certificates of deposits and approved corporate debt securities. U.S. securities are loaned in consideration of collateral valued at 102.0% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned against collateral valued at 105.0% of the fair value of the securities plus any accrued interest, except that fixed income securities can be loaned against the same currency collateral at 102% plus any accrued interest. The actual collateral value was equal to 102.8% for U.S. securities and 106.4% for non-U.S. securities at June 30, 2009 and 102.5% for U.S. securities and 105.8% for non-U.S. securities at June 30, 2008. Collateral is marked-to-market daily. If the fair value of the collateral falls below the minimum collateral requirements, additional collateral is provided by the participating borrower subject to established minimum thresholds. The weighted average maturity of the collateral investment pool was 15 days as of June 30, 2009.

The liquidity crisis which struck the U.S. credit markets during fiscal year 2008 continued to impact the short term credit markets and the collateral pool in which the Plans participated. As a result of the liquidity crisis and other market related events, Northern Trust determined on September 19, 2008 that a collateral deficiency occurred in the collateral pool under the terms of the Securities Lending Authorization Agreement. As a result, Northern Trust established a $5.5 million payable due from NHRS to the collateral pool. Less than $0.9 million of this amount is unrecoverable, however, the remaining $4.7 million is considered to be an unrealized loss. Given the improvement in credit markets, there is potential for recovery of a portion of that unrealized loss amount during fiscal year 2010.

The Plans are indemnified by the custodian in the event a borrower does not return loaned securities due to the insolvency of the borrower or if the custodian has failed to live up to its contractual responsibilities. The custodian's responsibilities, as a lending agent, include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

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The fair value of securities on loan, the collateral held, and the securities lending income as of June 30, 2009 and June 30, 2008 are presented below.

SECURITIES LENDING ACTIVITIES	($ in thousands)	
	2009	2008
Fair Value of U.S. and Non-U.S. Securities on Loan	$290,806	$508,225
Collateral Held Against U.S. and Non-U.S. Securities	$301,400	$524,260
Ratio of Collateral held to Loan Securities	103.6%	103.2%
Net Income From Securities Lending Program	$ 3,085	($ 5,457)

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 the loans at 102.0% and 105.0%, plus accrued interest, management believes that credit risk is mitigated since the Plans owe borrowers more than borrowers owe the Plans.

Loaned securities are included in the Statement of Plan Net Assets since ownership is maintained. For loans collateralized by cash, the value of the collateral is recorded as a liability offsetting the cash collateral recorded as an asset. The cash collateral for U.S. and non-U.S. securities as of June 30, 2009 and June 30, 2008 were $301.1 million and $510.5 million, respectively. For loans having collateral other than cash, the related collateral securities are not recorded as assets in the Statement of Plan Net Assets, and a corresponding liability is not recorded, since the Plans cannot pledge or sell the collateral securities, except in the event of a borrower's default. The Plans do not use reverse repurchase agreements.

The NHRS also participates in securities lending as a participant in the NTGI Collective Investment Trusts (Daily Russell 3000 Index Fund; Daily Aggregate Bond Index Fund; and Daily All-Country World Index ex-U.S. Fund). NTGI, as manager of these commingled index funds, holds authority for all decisions regarding securities lending activity and collateral investment utilized within these portfolios. The revenue received by the commingled funds on behalf of clients is used to purchase additional securities.

NOTE 4—FUNDING PROGRESS

The funding status of the Pension Plan as of the most recent actuarial valuation data is as follows (dollar amounts in thousands):

SCHEDULE OF FUNDING PROGRESS — PENSION PLAN ($ in thousands)

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UALL) (b–a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL Percentage of Covered Payroll ([b–a]/c)
6/30/2009	$4,937,320	$8,475,052	$3,537,732	58.3%	$2,448,287	144.5%
6/30/2008	$5,302,034	$7,821,316	$2,519,282	67.8%	$2,308,321	109.1%

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

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SCHEDULE OF FUNDING PROGRESS — OPEB PLANS ($ in thousands)

The funding status of the OPEB Plans as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
Group II — Police Officers & Firefighters						
06/30/09	$119,970	$272,012	$152,042	44.1%	$ 365,617	41.6%
06/30/08	$119,533	$265,226	$145,694	45.1%	$ 341,221	42.7%
Group I — Teachers						
06/30/09	$20,575	$249,070	$228,495	8.3%	$1,003,514	22.8%
06/30/08	$22,650	$246,616	$223,967	9.2%	$ 957,068	23.4%
Group I — Political Subdivision Employees						
06/30/09	$36,255	$61,468	$25,213	59.0%	$ 570,404	4.4%
06/30/08	$50,250	$62,097	$11,846	80.9%	$ 534,329	2.2%
Group I — State Employees						
06/30/09	—	$90,841	$ 90,841	0.0%	$ 508,752	17.9%
06/30/08	($17,246)	$95,936	$113,181	0.0%	$ 475,703	23.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and pension and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedules of funding progress reflect only results for fiscal years 2007, 2008, and 2009. Prior to fiscal year 2007 a different actuarial cost method was used and does not provide for a meaningful comparison.

The Schedule of Employer Contributions provided in required supplementary information presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows.

	Pension Plan	OPEB Plans
Valuation Date	06/30/2009	06/30/2009
Actuarial Cost Method	Entry age normal	Entry age normal
Amortization Method	Level percentage of payroll, closed	Level percentage of payroll, closed
Equivalent single amortization period	28 years	28 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial Assumptions:		
Investment rate of return*	8.5%	8.5%
Projected salary increases*	4.5% to 16.25%	4.5% to 16.25%
***Includes Price Inflation at**	3.5%	3.5%
Rate of Payroll Growth	4.50%	4.50%
Valuation Health Care Trend Rate	N/A	N/A — The OPEB Plans provide a specific dollar subsidy to be used for health care. The subsidy increased 8.0% for fiscal year 2007 by statute. Effective on July 1, 2008, the annual increase will be 0.0% for four years, until the annual escalation will resume at a 4% rate effective on July 1, 2012.

NOTE 5—SIGNIFICANT CHANGES IN ACTUARIAL ASSUMPTIONS AND BENEFIT PROVISIONS OCCURRING SINCE THE JUNE 30, 2007 ACTUARIAL VALUATION

Changes in actuarial assumptions for fiscal year 2009:

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

Legislation was enacted in the 2009 legislative session which:

(a) Set the member contribution rate for all Group I State employees hired on or after July 1, 2009 at 7.0% of earnable compensation. The member contribution rate for State employees hired before July 1, 2009 remains at 5.0%.

(b) Reduced the State's share of the political subdivision employers' normal cost from 35% to 30% for fiscal year 2010, and to 25% for the state fiscal year 2011. The State's share of political subdivision employer's normal cost reverts back to 35% for the state fiscal year 2012 and each fiscal year thereafter.

(c) Re-defines "extra or special duty compensation" as a component of a member's earnable compensation to mean member work activities or details for which the employer bills or charges another entity for the work activities provided.

(d) Requires that for fiscal years beginning on or after July 1, 2009, political subdivision employers must report monthly to NHRS all extra or special duty compensation paid to Group II firefighter and police officer members. Employers are also required to include in their billing to the entity for whom the extra or special duty is provided, the full amount of employer contributions required under RSA 100-A:16, II(b), which are applicable to the extra or special duty compensation paid to Group II members. If the contributions are not paid by the entity, employers are required to pay 100% of the employer contributions attributable to all extra or special duty compensation paid to Group II members.

(e) Requires NHRS, effective July 1, 2009, to deduct from the monthly pension benefit of retired Group I and Group II State employees, the amount of $65.00 for each retiree and each spouse who are under age 65 and receiving healthcare coverage through the State of New Hampshire. The total monthly deduction may not exceed $130.00.

(f) Requires NHRS to re-certify employer contribution rates for fiscal years 2010 and 2011, based upon a July 1, 2009, State Employee OPEB Plan balance of zero and to base all future employer contribution rates for the State Employee OPEB Plan using the same zero balance.

(g) Delays from August 29, 2008, until July 1, 2010 the implementation of RSA 100-A:16, III-a, which addresses the funding of dramatic increases in the pensions of NHRS members resulting from excessively high end-of-career earnable compensation payments made to a retiring employee by an employer. Known as the “spiking provision” or the “125% calculation provision”, RSA 100-A:16, III-a provides that employers assume financial responsibility for the funding costs associated with those increased pension amounts.

(h) Removes the application of the gainful occupation reductions to accidental disability retirement pensions paid to retired Group II members who have attained age 45, and whose total years of service as a Group II member plus their years of accidental disability retirement total at least 20 years.

(i) Repeals RSA 457-A regarding civil unions and amends RSA 457 to allow same gender couples to marry in New Hampshire. Because NHRS must follow the federal definition of marriage when administering pension plan benefits, certain retirement benefits for same gender married couples will be limited, as is currently the case with civil union partners.

(j) Provides a medical subsidy benefits for certain Group I teacher and political subdivision employee members who retired on or before July 1, 2009, if: (1) they were eligible to retire as of July 1, 2008, either prior to age 60 with at least 20 years of service, or prior to age 55 with at least 30 years of service, and (2) subsequent to July 1, 2008, they attain the applicable age, 60 or 55, respectively.

(k) Requires NHRS to develop by December 1, 2009 a specific methodology to determine the amount of the employer assessment for excess pension benefits paid to members who retire after July 1, 2010. Such methodology must account for the portion of the present value of the member’s retirement benefit attributable to the compensation in excess of the member’s base pay that has been funded through the normal employer contributions, including the state share of the employer contributions and the member contributions. In addition, every participating employer must report annually to NHRS the annual base pay paid to each member.

(l) Provides a medical subsidy benefit for certain Group I teacher and political subdivision employee members who retired with a vested deferred retirement pension on or before July 1, 2009, if they were eligible to retire as of July 1, 2008, either: (1) with at least 20 years of Group I creditable service and had attained age 60, or subsequently attained age 60; or (2) with at least 30 years of Group I creditable service and had attained age 55, or subsequently attained age 55.

(m) Establishes a committee, composed of two State Senators and four State Representatives, to study the imposition of employer assessments for excess benefits paid to NHRS retirees. In addition, NHRS is required to report on or before November 1, 2009 to the chairpersons of the House and Senate Executive Departments and Administration Committees relative to death benefits provided under RSA 100-A.

(n) In accordance with federal Heroes Earnings Assistance and Relief Tax (HEART) Act of 2008, provides that ordinary death benefits paid to a surviving spouse in the form of an annuity will not terminate upon the remarriage of such surviving spouse. Further, the law defines “qualified military service and provides ordinary death benefits for beneficiaries of NHRS members who die on or after January 1, 2007 while performing qualified military service.

(o) Effective July 1, 2009, granted a 1.5% COLA to be added to the base pension, on the first $30,000 of pension benefits to all retirees and beneficiaries who had been retired for at least 12 months by July 1, 2009. In addition, two additional lump sum temporary allowances were provided as follows:
   1.) Only for the fiscal year beginning July 1, 2009, a supplemental allowance of $1,000 for any retired member or beneficiary who had been retired at least 12 months whose annual retirement is based on at least 15 years of service and is $20,000 or less annually;
   2.) Only for the fiscal year beginning July 1, 2009, a supplemental allowance of $500 for any retired member or beneficiary who retired prior to January 1, 1993.

In addition, legislation passed in the fiscal year 2008 legislative session granted a third temporary supplemental allowance beginning July 1, 2008, and continuing on each July 1st through July 1, 2011. Retirees and beneficiaries receiving a one-person medical subsidy are to receive a lump sum temporary supple-

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mental allowance of $500 and retirees receiving a two-person medical subsidy are to receive a lump sum temporary supplemental allowance of $1,000. Once a recipient becomes eligible for Medicare, the additional temporary supplemental allowances shall be reduced to 60 percent of the non-Medicare eligible retiree amounts.

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

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

Item (j) has no impact on the normal employer contribution rates determined using the entry age normal funding method because, as required by the legislation, the costs are terminally funded from the Special Account at a cost of $61.2 million.

Changes in actuarial assumptions for fiscal year 2008:
There were no changes in actuarial assumptions made during fiscal year 2008.

Legislation was enacted in the 2008 legislative session which:

HB 1645 was enacted during the 2008 legislative session. This legislation makes significant changes to current plan provisions which are summarized below.

(a) Non-vested employees who leave employment may leave their money in the Pension Plan and continue to earn the lesser of 2% below the Plan's assumed rate of return or 2% below the actual rate of return on their funds provided the rate of return shall not be less than zero.

(b) After July 1, 2007, the 8% annual escalation increase in medical subsidy payments was frozen at 0% for four years, through and including July 1, 2011. The annual escalation increase will resume at a 4% rate effective July 1, 2012.

(c) On June 30, 2008, $250 million was transferred from the Special Account reserve to the general account that funds the Pension Plan's annual annuity payments.

(d) On July 1, 2008, retirees or beneficiaries will receive a 1.5% increase added to their base pension for the first $30,000 of their pension amount. In addition, 3 additional lump sum temporary supplemental allowances were provided:
   1. Only for the fiscal year beginning July 1, 2008 — a supplemental allowance of $1,000 for any retired member who has been retired at least 12 months whose annual retirement is based on at least 15 years of service and is $20,000 or less;
   2. Only for the fiscal year beginning July 1, 2008 — a supplemental allowance of $500 for any retired member who retired prior to January 1, 1993 or any beneficiary of such member;
   3. For the fiscal years beginning July 1, 2008 up to and including the fiscal year beginning July 1, 2011 — a temporary supplemental allowance of $500 for retirees taking a one-person medical benefit and $1,000 for retirees taking a 2-person medical benefit. Provided, however, that once a recipient is entitled to Medicare, the additional allowance shall be reduced to 60 percent of the non-Medicare eligible retiree amounts.

   The 1.5% increase and the additional lump sum temporary allowances will be provided to the extent funds are available in each member classification component of the Special Account.

(e) Effective beginning July 1, 2009, employer contributions to the OPEB Plans will be the lesser of 25% of the employers' contribution to the Pension Fund or the actuarial rate determined by the actuary to be the minimum amount necessary to maintain the benefits provided by statute.

(f) Establishes a Retiree Health Care Benefits Funding Commission to propose a future retiree health care benefits model and a Cost of Living Adjustment (COLA) Study Commission to examine the feasibility of authorizing future COLAs for retirees at different rates to or within each subgroup within the Special Account.

(g) Requires new or reappointed members of the Board of Trustees to have finance or business management experience and also requires two non-member trustees to have substantial experience in the field of institutional investment or finance. Establishes voting status for the Board Chairperson in any Board action or resolution. Authorizes the Audit Committee to engage the services of an independent auditor, and to conduct performance audits.

(h) Effective January 1, 2009, established an Independent Investment Committee having the full power to invest and reinvest NHRS funds in accordance with the investment policy set by the Board of Trustees. The Independent Investment Committee shall consist of not more than 5 members, three of whom are not members of the Board of Trustees and two of whom are members of the Board of Trustees. The Independent Investment Committee members are fiduciaries and are to discharge their duties solely in the interest of the participants and beneficiaries of the NHRS.

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(i) Establishes an additional employer contribution in instances where a member's pension benefits are greater than 125% of the member's base pay. The employer is not restricted from making larger end-of-career compensation arrangements such as increased overtime, vacation or severance pay; however, the amendment makes the employer directly responsible for the excess pension to the extent it is greater than 125% of the member's base pay.

(j) Establishes that the maximum retirement benefit granted under RSA 100-A:5 or RSA 100-A:6 for members hired after June 30, 2009 shall not exceed $120,000 annually.

The provisions of HB 1645 are reflected in the June 30, 2007 actuarial valuation. Beginning with fiscal year 2010, items (a) through (j) will decrease the normal employer pension contribution rates by 0.57% for Employees, 0.72% for Teachers, 2.17% for Police Officers and 2.61% for Firefighters. In addition, the provisions HB 1645 will decrease the normal employer OPEB contribution rates by 3.22% for the Group I Political Subdivision Employee OPEB Plan, 2.23% for the Group I Teacher OPEB Plan and 4.88% for the Group II Police Officer and Firefighter OPEB Plan. The normal employer OPEB contribution rate for the Group I State Employee OPEB Plan will not change.

Additional legislation was approved in the 2008 legislative session that:

(k) Allows Employee and Teacher members of political subdivisions who are eligible to retire as of July 1, 2008, who have at least 20 years of credited service as of July 1, 2008 and who actually retire on or before July 1, 2009 (extended from July 1, 2008) to be eligible for the medical subsidy provided under the OPEB plans. Members with less than 30 years of credited service are eligible to begin receiving subsidy benefits at age 60 and members with 30 or more years of credited service are eligible to begin receiving subsidy benefits at age 55.

(l) Permits a member of the New Hampshire Retirement System to purchase up to two years of service credit for the period of time in which a member served in the Peace Corps or Americorps, subject to certain specified eligibility requirements.

(m) Requires the New Hampshire Retirement System Board of Trustees to divest all assets held by the New Hampshire Retirement System in any firm with active business operations in the Sudan.

(n) Amends RSA 100-A by stating that New Hampshire civil unions law as described in RSA 457-A shall not apply to the retirement system to the extent that such application will violate the Internal Revenue Code of 1986, as amended, or other federal law.

Item (k) will increase normal employer contribution rates by 0.05% for Employees and 0.10% for Teachers. Items (l), (m) and (n) will have no impact on the normal employer contribution rates.

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

(o) A 2.25% COLA for Employees, Teachers, Police Officers and Firefighters who retired prior to July 1, 2006, effective July 1, 2007.

Item (o) has no impact on the normal employer contribution rates determined using the entry age normal funding method because, as required by the legislation, the costs are terminally funded from the Special Account at a cost of $66.6 million.

NOTE 6—CONTRIBUTIONS AND RESERVES

PENSION PLAN

As a condition of participation, members are required to contribute a set percentage of their salary to the Pension Plan. The percentage rates, as outlined on the next page, are set by statute under RSA 100-A:16 and depend on the member's group affiliation.

RSA 100-A:16 outlines the employer contributions made to the Pension Plan. Employer contributions to the Pension Plan since fiscal year 2007 have been determined on an actuarial basis using the entry age normal cost method.

The State funds 100% of the employer normal costs for all State employees, and 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.

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The annual covered payroll for the year ended June 30, 2009 is $2,448.3 million and the annual covered payroll for the fiscal year ended June 30, 2008 was $2,308.3 million.

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

PERCENT OF COVERED PAYROLL FOR RETIREMENT BENEFITS

	(FY 2009)				(FY 2008)			
	Member Normal	Employer Normal Share#			Member Normal	Employer Normal Share#		
Member Category	Share	State	Local	Total	Share	State	Local	Total
Employees								
State	5.00%	8.74%	—	8.74%	5.00%	8.74%	—	8.74%
Local	5.00%	—	8.74%	8.74%	5.00%	—	8.74%	8.74%
Teachers	5.00%	3.13%	5.80%	8.93%	5.00%	3.13%	5.80%	8.93%
Police Officers	9.30%	6.37%	11.84%	18.21%	9.30%	6.37%	11.84%	18.21%
Firefighters	9.30%	8.57%	15.92%	24.49%	9.30%	8.57%	15.92%	24.49%

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 2009)			(FY 2008)		
Member Category	Member Normal Share**	Employer Normal Share*	Total Contributions	Member Normal Share	Employer Normal Share*	Total Contributions
Employees	$ 55,994	$ 96,097	$152,091	$ 62,123	$ 90,738	$152,861
Teachers	52,942	89,722	142,664	59,814	87,217	147,031
Police Officers	23,476	48,945	72,421	25,998	46,546	72,544
Firefighters	10,116	26,686	36,802	10,050	25,402	35,452
Total Contributed	**$142,528**	**$261,450**	**$403,978**	**$157,985**	**$249,903**	**$407,888**

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

** Includes voluntary member contributions of $9.3 million in FY 2009 and $28.5 million in FY 2008.

AMOUNTS CONTRIBUTED EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL

	(FY 2009)			(FY 2008)		
Member Category	Member Normal Share*	Employer Normal Share	Total	Member Normal Share*	Employer Normal Share	Total
Employees	5.19%	8.90%	14.09%	6.2%	9.0%	15.2%
Teachers	5.28%	8.94%	14.22%	6.2%	9.1%	15.3%
Police Officers	9.10%	18.98%	28.08%	10.6%	19.1%	29.7%
Firefighters	9.39%	24.78%	34.17%	10.4%	26.2%	36.6%
Total Contributed	**5.82%**	**10.68%**	**16.50%**	**6.9%**	**10.8%**	**17.7%**

*Includes voluntary member contributions of $9.3 million in FY 2009 and $28.5 million in FY 2008.

As a matter of practice, actual contribution rates are determined by the previous valuation. Using the forecast rates delays implementation of the rates proposed by the actuary until the beginning of the subsequent biennium, allowing employers to budget for changes in employer rates. The employer normal contribution rates for the 2009 and 2008 fiscal years were based on the June 30, 2005 actuarial valuation.

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

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RECONCILIATION OF THE ACTUARIAL PROJECTED EMPLOYER NORMAL CONTRIBUTION RATES FOR PENSION

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

Based on an 8.5% interest rate.

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

NET ASSETS HELD IN TRUST FOR BENEFITS

(in thousands)

	JUNE 30 2009	2008
Pension		
Employees	$1,305,377	$1,619,774
Teachers	1,596,855	2,025,392
Police Officers	768,683	970,940
Firefighters	358,568	455,101
Special Account	285,773	353,997
Subtotal Pension	**$4,315,256**	**$5,425,204**
OPEB Plans		
Group II Police Officers & Firefighters	99,039	117,251
Group I Teachers	16,986	22,217
Group I Political Subdivision Employees	47,640	49,292
Group I State Employees	(17,710)	(16,917)
Subtotal OPEB Plans	**145,955**	**171,843**
TOTAL NET ASSETS HELD IN TRUST FOR BENEFITS	**$4,461,211**	**$5,597,047**

OPEB PLANS

In accordance with RSA 100-A:53, RSA 100-A:53-b, RSA 100-A:53-c and RSA 100-A:53-d, benefits are provided by a 401(h) subtrust of the Pension Plan. The OPEB Plans are funded by allocating 25% of all employer contributions made in accordance with RSA 100-A:16 to the 401(h) subtrust until such time as benefits are fully funded. Once benefits are fully funded, the subtrust is to receive only that portion of each year's employer contributions as is necessary to keep the benefits funded.

The State funds 100% of the employer normal costs for all State employees and 35% of the employer normal costs for teachers, police officers and firefighters employed by political subdivisions. The State does not participate in funding the employer cost of other political subdivision employees.

The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plans. Administrative costs are allocated to the OPEB Plans based on fund balances.

SPECIAL ACCOUNT

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

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

The Special Account is credited annually with all of the earnings on an actuarial basis of the Special Account assets plus the earnings of the remaining assets of the Pension Plan in excess of the assumed rate of return plus 1/2 of 1%. The Board of Trustees set the rate of return on assets at 8.5% for the years ended June 30, 2009 and 2008. Therefore, earnings in excess of 9.0%, if any, would have been credited to the Special Account. However, legislation was enacted during fiscal year 2007 that restricts any funds from being credited to the Special Account until the funded ratio of the consolidated retirement system as of June 30th of any given year is equal to or greater than 85%. Upon achievement of the 85% funded ratio, only returns in excess of 10 and one-half percent will be allocated to the Special Account. Because the funded ratio of the Plans at June 30, 2009 and June 30, 2008 were below 85%, no funds were transferred to the Special Account for those years.

As of June 30, 2009, the balance of the Special Account was $285.8 million. The comparable figure for June 30, 2008 was $354.0 million. Legislation costing $61.2 million that was enacted during the 2009 legislative session, with an effective date after June 30, 2009, will be terminally funded from assets in the Special Account. The assets held in the Special Account are not used in the actuarial determination of the normal contribution rate and by statute shall only be used to fund or partially fund additional benefits for members of the Pension Plan.

NOTE 7 — ADMINISTRATIVE EXPENSES

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

Administrative expenses consist primarily of salaries and benefits for 68 full-time and part-time employees and the costs associated with operating and maintaining computer systems.

NOTE 8 — CONTINGENT MATTERS

Concurrent with the adoption of GASB 43, the NHRS undertook a comprehensive regulatory review of the administration and operation of the OPEB Plans administered by the NHRS, including their compliance with both federal and state laws and regulations. The external law firm conducting the regulatory review for the NHRS identified four separate federal and state compliance issues and recommended to the NHRS Board of Trustees that the issues be corrected. The Board of Trustees agreed with the recommendations of the external law firm and in April 2008 the NHRS took the following two related actions:

First, the NHRS made a filing with the Internal Revenue Service (IRS) through the IRS's Voluntary Correction Program (VCP) to seek approval of the NHRS's corrective action plan for addressing the compliance issues.

Second, the NHRS is seeking a favorable tax determination letter from the IRS consistent with Cycle C Government Plan filings due on or before January 31, 2009.

Discussions with the IRS on the VCP filing and the corrective action plan have been ongoing. No final settlement has been reached. The NHRS has made no provisions in these fiscal year 2009 financial statements for any adverse IRS determination.

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

The plaintiff parties are seeking relief from statutory changes in the 2008 and 2009 legislative session that:

- Amended the definition of earnable compensation
- Changed Cost-of Living Adjustments (COLAs) formulas from prior year formulas
- Suspended and permanently reduced the annual 8% escalation increase in medical subsidy benefits
- Required NHRS to begin withholding monthly healthcare contributions from the pension benefit of State retirees under the age of 65 receiving State paid retiree health insurance

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

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Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS — PENSION PLAN

($ in thousands)

Fiscal Year Ended	Actuarial Value of Asets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UALL) (b–a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL Percentage of Covered Payroll ([b–a]/c)
6/30/2009	$4,937,320	$8,475,052	$3,537,732	58.3%	$2,448,287	144.5%
6/30/2008	$5,302,034	$7,821,316	$2,519,282	67.8%	$2,308,321	109.1%
6/30/2007	$4,862,256	$7,259,715	$2,397,459	67.0%	$2,195,339	109.2%

SCHEDULE OF EMPLOYER CONTRIBUTIONS — PENSION PLAN**

Fiscal Year	Classification	Annual Required Contribution (ARC)* (in thousands)	Percent of ARC** Recognized as Contributions
2009	Employees	$96,397	75.00%
	Teachers	89,011	75.00%
	Police Officers	49,167	75.00%
	Firefighters	26,655	75.00%
2008	Employees	92,207	75.00%
	Teachers	85,561	75.00%
	Police Officers	47,383	75.00%
	Firefighters	25,369	75.00%
2007	Employees	66,083	100.00%
	Teachers	53,498	100.00%
	Police Officers	36,057	100.00%
	Firefighters	22,415	100.00%
2006	Employees	62,041	100.00%
	Teachers	51,459	100.00%
	Police Officers	34,860	100.00%
	Firefighters	22,218	100.00%
2005	Employees	51,028	100.00%
	Teachers	36,027	100.00%
	Police Officers	26,542	100.00%
	Firefighters	19,157	100.00%
2004	Employees	48,222	100.00%
	Teachers	32,563	100.00%
	Police Officers	24,609	100.00%
	Firefighters	17,966	100.00%
2003	Employees	32,413	100.00%
	Teachers	31,032	100.00%
	Police Officers	16,454	100.00%
	Firefighters	8,359	100.00%

*Includes unfunded accrued liability contributions and excludes oversight contributions.

**For fiscal year 2009 and 2008, 75% of the pension plan annual required contributions (ARC) were paid compared with an ARC of 100% in prior years.

The employer pension contribution rates for fiscal year 2009 and 2008 were established in the June 30, 2005 actuarial valuation. Those employer pension contribution rates were certified by the NHRS Board of Trustees in fiscal year 2006 and employers were notified in fiscal year 2006 of the fiscal year 2008–2009 rates to enable employers time to budget for their anticipated 2008-2009 employer contributions.

For fiscal years 2009 and 2008, 25% of all employer pension contributions were transferred to the OPEB plans in accordance with State statute. Prior to fiscal year 2008, the Medical Special Account would reimburse the pension plan for all employer contributions transferred making the pension plan whole for any employer contributions transferred to the OPEB plans. In conjunction with a fiscal year 2007 federal and state compliance review conducted by external legal counsel, a recommendation was made to the NHRS Board of Trustees that the reimbursement process from the Medical Special Account be eliminated as it was not in compliance with federal tax regulations. The NHRS Board of Trustees eliminated the Medical Special Account reimbursement process starting with fiscal year 2008. In fiscal year 2009 and 2008, 25% of all employer contributions were transferred into the OPEB plans in accordance with State statute but there is no longer any reimbursement from the Medical Special Account leaving the pension plan with an ARC of 75% for fiscal year 2009 and for 2008.

Employers have paid 100% of the employer contributions rates certified to them for fiscal years 2009 and 2008. The shortfall in amounts paid by employers due to the elimination of the Medical Special Account reimbursement will be recovered through future employer rates staring with fiscal year 2010 when separate and distinct employer rates will be established for both the pension plan and the OPEB plans that will allow the ARC for the pension plan and OPEB plans to return to 100%.

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SCHEDULE OF FUNDING PROGRESS — OPEB PLANS

($ in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
Group II — Police Officers & Firefighters						
06/30/09	$119,970	$272,012	$152,042	44.1%	$ 365,617	41.6%
06/30/08	$119,533	$265,226	$145,694	45.1%	$ 341,221	42.7%
06/30/07	$109,475	$248,080	$138,605	44.1%	$ 330,713	41.9%
Group I — Teachers						
06/30/09	$ 20,575	$249,070	$228,495	8.3%	$1,003,514	22.8%
06/30/08	$ 22,650	$246,616	$223,967	9.2%	$ 957,068	23.4%
06/30/07	$ 19,880	$236,049	$216,169	8.4%	$ 922,308	23.4%
Group I — Political Subdivision Employees						
06/30/09	$ 36,255	$ 61,468	$ 25,213	59.0%	$ 570,404	4.4%
06/30/08	$ 50,250	$ 62,097	$ 11,846	80.9%	$ 534,329	2.2%
06/30/07	$ 41,845	$ 58,857	$ 17,012	71.1%	$ 507,311	3.4%
Group I — State Employees						
06/30/09	—	$ 90,841	$ 90,841	0.0%	$ 508,752	17.9%
06/30/08	($ 17,246)	$ 95,936	$113,181	0.0%	$ 475,703	23.8%
06/30/07	($ 14,223)	$ 95,425	$109,648	0.0%	$ 435,007	25.2%

The schedule of funding progress presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SCHEDULE OF EMPLOYER CONTRIBUTIONS — OPEB PLANS

Fiscal Year	Classification	Annual Contribution (ARC)* (in thousands)	Percent of ARC Recognized as Contributions
2009	Group II Police Officers & Firefighters	$18,707	100.00%
	Group I Teachers	22,998	100.00%
	Group I Political Subdivision Employees	12,381	100.00%
	Group I State Employees	11,150	100.00%
2008	Group II Police Officers & Firefighters	17,369	100.00%
	Group I Teachers	22,887	100.00%
	Group I Political Subdivision Employees	11,420	100.00%
	Group I State Employees	10,030	100.00%
2007	Group II Police Officers & Firefighters	18,078	100.00%
	Group I Teachers	17,791	100.00%
	Group I Political Subdivision Employees	11,858	100.00%
	Group I State Employees	10,474	100.00%

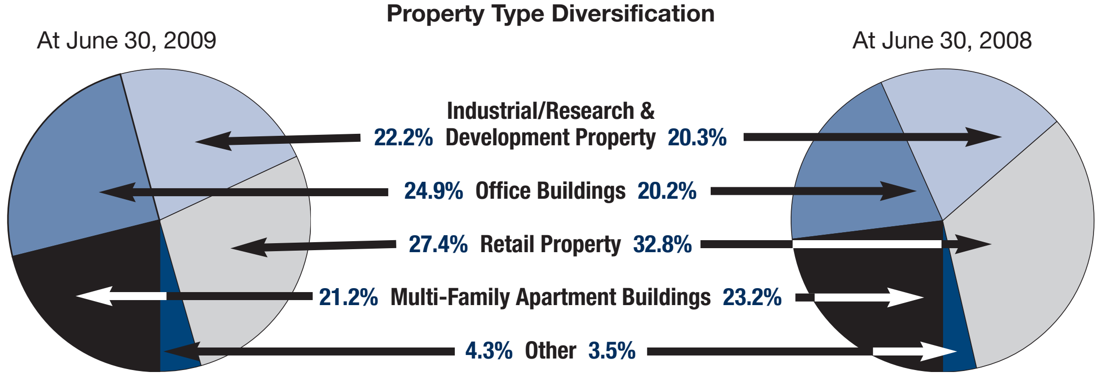
*The plans are funded by allocating 25% of all employer contributions made in accordance with RSA 100-A:16 to the OPEB Plans until such time as benefits are fully funded. The State funds 100% of the employer normal costs for all State employees and 35% of the employer normal costs for teachers, police officers, and firefighters employed by political subdivisions. The State does not participate in funding the employer cost of other political subdivision employees.

REAL ESTATE INVESTMENTS BY TYPE

(in thousands)

	JUNE 30 2009	2008
Office Buildings	$ 68,221	$ 83,439
Multi-Family Apartment Buildings	58,015	95,654
Retail Property	74,937	135,280
Industrial/Research & Development Property	60,615	83,885
Other	11,771	14,216
TOTAL REAL ESTATE INVESTMENTS BY TYPE	**$273,559**	**$412,474**

Property Type Diversification

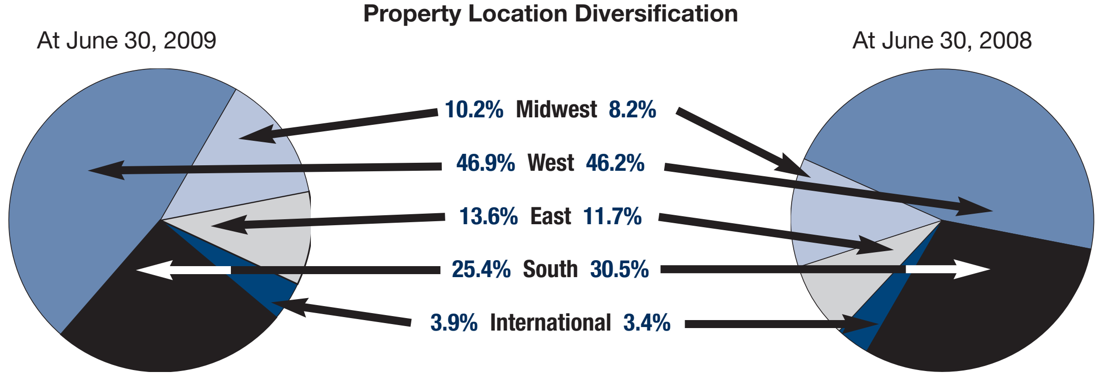


REAL ESTATE INVESTMENTS BY LOCATION

(in thousands)

	JUNE 30 2009	2008
West	$128,334	$190,690
East	37,166	48,380
South	69,461	125,648
Midwest	28,023	33,757
International	10,575	13,999
TOTAL REAL ESTATE INVESTMENTS BY LOCATION	**$273,559**	**$412,474**

Property Location Diversification



ALTERNATIVE INVESTMENTS	(in thousands)	
	JUNE 30	
	2009	2008
Venture Capital:		
Early Stage	$ 1,226	$ 3,684
Balanced Stage	18,638	27,226
Late Stage	2,024	1,730
Buyout Funds:		
Small Buyouts	5,552	7,061
Medium Buyouts	11,352	14,992
Large Buyouts	2,932	4,674
Natural Resources	—	11
Mezzanine Capital	—	335
Distressed Debt	12,994	22,305
Absolute Return Strategies	48,310	64,787
TOTAL ALTERNATIVE INVESTMENTS	**$103,028**	**$146,805**

CONTRIBUTIONS	(in thousands)	
	YEAR ENDED JUNE 30	
	2009	2008
CONTRIBUTIONS—PENSION PLAN		
EMPLOYER CONTRIBUTIONS:		
Employees	$ 72,566	$ 69,288
Teachers	43,616	41,682
Police Officers	28,097	26,942
Firefighters	13,714	12,633
TOTAL EMPLOYER CONTRIBUTIONS	**157,993**	**150,545**
STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS:		
Teachers	23,108	22,648
Police Officers	8,836	8,600
Firefighters	6,277	6,404
TOTAL STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS	**38,221**	**37,652**
PLAN MEMBER CONTRIBUTIONS:		
Employees	55,994	62,123
Teachers	52,942	59,814
Police Officers	23,476	25,998
Firefighters	10,116	10,050
TOTAL PLAN MEMBER CONTRIBUTIONS	**142,528**	**157,985**
TOTAL CONTRIBUTIONS—PENSION PLAN	**338,742**	**346,182**

CONTRIBUTIONS — OPEB PLANS		
EMPLOYER NORMAL:		
Group II — Police Officers and Firefighters	13,669	12,368
Group I — Teachers	15,295	15,338
Group I — Political Subdivision Employees	12,381	11,420
Group I — State Employees	11,150	10,030
TOTAL EMPLOYER NORMAL CONTRIBUTIONS	**52,495**	**49,156**
STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS:		
Group II — Police Officers and Firefighters	5,038	5,001
Group I — Teachers	7,703	7,549
TOTAL STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS	**12,741**	**12,550**
TOTAL CONTRIBUTIONS — OPEB PLANS	**65,236**	**61,706**
TOTAL CONTRIBUTIONS	**$403,978**	**$407,888**

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NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS	(in thousands)	
	YEAR ENDED JUNE 30	
	2009	2008
Equity Investments:		
Domestic	($ 568,480)	($387,108)
International	(273,774)	(46,131)
Global	(68,503)	—
Fixed Income Investments	4,013	67,866
Real Estate	(149,527)	2,188
Alternative Investments:		
Venture Capital Funds	(6,222)	(17,687)
Buyout Funds	(9,586)	(499)
Mezzanine Funds	(37)	119
Natural Resource Funds	—	(14)
Distressed Debt Funds	(9,022)	(4,269)
Timberfunds	—	1,637
Absolute Return Strategies	(7,255)	(9,275)
NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS	**($1,088,392)**	**($393,173)**

INTEREST INCOME	(in thousands)	
	YEAR ENDED JUNE 30	
	2009	2008
Fixed Income Investments	$56,007	$62,893
Cash and Cash Equivalents	316	875
TOTAL INTEREST INCOME	**$56,323**	**$63,768**

DIVIDEND INCOME	(in thousands)	
	YEAR ENDED JUNE 30	
	2009	2008
Equity Investments:		
Domestic	$16,999	$20,201
International	12,609	18,896
Global	6,503	—
TOTAL DIVIDEND INCOME	**$36,111**	**$39,097**

ALTERNATIVE INVESTMENT INCOME (LOSS)	(in thousands)	
	YEAR ENDED JUNE 30	
	2009	2008
Venture Capital Funds	(78)	$ 429
Buyout Funds	143	(141)
Mezzanine Funds	(1)	(41)
Natural Resource Funds	—	(8)
Distressed Debt Funds	(136)	313
Timberfunds	—	927
Absolute Return Strategies	(8,650)	263
TOTAL ALTERNATIVE INVESTMENT INCOME (LOSS)	**($8,722)**	**$ 1,742**

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REAL ESTATE INVESTMENTS INCOME AND EXPENSES

(in thousands)

	INCOME YEAR ENDED JUNE 30		EXPENSE YEAR ENDED JUNE 30		NET INCOME YEAR ENDED JUNE 30	
	2009	2008	2009	2008	2009	2008
Office Buildings	$17,576	$15,266	$12,564	$ 9,966	$ 5,012	$ 5,300
Multi-Family Apartment Buildings	14,978	11,915	10,076	7,890	4,902	4,025
Retail Property	20,481	17,563	12,961	8,959	7,520	8,604
Industrial/Research & Development Property	8,688	8,032	3,192	2,958	5,496	5,074
Other	250	191	144	178	106	13
TOTAL	**$61,973**	**$52,967**	**$38,937**	**$29,951**	**$23,036**	**$23,016**

INVESTMENT ACTIVITY FEES AND OTHER INVESTMENT RELATED EXPENSES

(in thousands)

	YEAR ENDED JUNE 30 2009	2008
INVESTMENT ACTIVITY FEES:		
Equity Investments:		
Domestic	$ 4,117	$ 5,928
International	2,476	4,459
Global	1,361	—
Fixed Income Investments	3,275	3,400
Alternative Investments:		
Venture Capital Funds	448	3,120
Buyout Funds	362	201
Mezzanine Funds	—	—
Natural Resource Funds	—	42
Distressed Debt Funds	154	299
Timberfunds	—	98
Absolute Return Strategies	571	717
Real Estate	2,113	1,872
Custodial Fees	679	477
Investment Advisor Fees	1,121	1,153
TOTAL INVESTMENT ACTIVITY FEES	**$16,677**	**$21,766**
OTHER INVESTMENT RELATED EXPENSES:		
Securities Lending Borrower Rebates	3,120	27,014
Securities Lending Management Fees	652	—
TOTAL INVESTMENT ACTIVITY FEES AND OTHER INVESTMENT RELATED EXPENSES	**$20,449**	**$48,780**

BENEFITS	(in thousands)	
	YEAR ENDED JUNE 30	
	2009	2008
PENSION BENEFITS AND ADDITIONAL ALLOWANCES:		
Employees	$148,044	$127,727
Teachers	182,923	153,817
Police Officers	79,762	71,514
Firefighters	41,651	38,871
TOTAL PENSION BENEFITS AND ADDITIONAL ALLOWANCES	**$452,380**	**$391,929**
POSTEMPLOYMENT MEDICAL BENEFITS:		
Group II Police and Fire	$ 15,688	$ 15,229
Group I Teachers	24,489	21,018
Group I Political Subdivision Employees	6,496	5,732
Group I State Employees	10,926	11,266
TOTAL POSTEMPLOYMENT MEDICAL BENEFITS	**$ 57,599**	**$ 53,245**
TOTAL BENEFITS	**$509,979**	**$445,174**

REFUNDS OF CONTRIBUTIONS	(in thousands)	
	YEAR ENDED JUNE 30	
	2009	2008
Employees	$ 12,472	$ 16,437
Teachers	8,315	11,098
Police Officers	3,278	4,347
Firefighters	139	415
TOTAL REFUNDS OF CONTRIBUTIONS	**$24,204**	**$ 32,297**

ADMINISTRATIVE EXPENSES

(in thousands)

	2009 EXPENSE	2009 BUDGET*	OVER (UNDER) BUDGET	2008 EXPENSE	2008 BUDGET*	OVER (UNDER) BUDGET
Salaries and Wages	$3,897	$4,327	($ 430)	$2,955	$3,827	($ 872)
Fringe Benefits	1,566	2,308	(742)	1,508	1,955	(447)
Supplies, Utilities and Postage	463	488	(25)	531	458	73
Organizational Dues	10	10	—	8	9	(1)
Equipment	95	209	(114)	170	322	(152)
Travel						
Board of Trustees	19	33	(14)	14	29	(15)
Staff	28	80	(52)	19	83	(64)
State Services	47	79	(32)	53	75	(22)
Office Rents and Expenses	382	390	(8)	413	385	28
Computer Support and System Development	555	2,767**	(2,212)	1,102	1,521**	(419)
Consulting	114	178	(64)	121	110	11
Unemployment Compensation	32	32	—	—	5	(5)
Workers Compensation	—	5	(5)	1	5	(4)
TOTAL	**$7,208**	**$10,906**	**($3,698)**	**$6,895**	**$8,784**	**($1,889)**

* The NHRS 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.

** $1.739 million of budgeted system development costs were capitalized in fiscal year 2009 and those costs are not reflected in the fiscal year 2009 expense. The comparable amount of system development costs capitalized in fiscal year 2008 and not reflected in the fiscal year 2008 expense was $0.369 million.

PROFESSIONAL FEES

(in thousands)

	YEAR ENDED JUNE 30 2009	2008
Actuarial Fees	$ 436	$ 466
Audit Fees	203	152
Legal Fees	780	806
TOTAL PROFESSIONAL FEES	**$1,419**	**$1,424**

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MEMBERSHIP COMPOSITION

	JUNE 30 2009	2008
ACTIVE CONTRIBUTING MEMBERS:		
Employees	26,352	26,507
Teachers	18,709	18,509
Police Officers	4,318	4,332
Firefighters	1,653	1,640
TOTAL ACTIVE CONTRIBUTING MEMBERS	**51,032**	**50,988**

*Excludes inactives

	2009	2008
RETIRED MEMBERS:		
Employees	12,192	11,580
Teachers	8,507	7,654
Police Officers	2,565	2,436
Firefighters	1,237	1,200
TOTAL RETIRED MEMBERS	**24,501**	**22,870**

PAYMENTS FROM THE STATE GENERAL FUND

(in thousands)

	YEAR ENDED JUNE 30 2009	2008
State Share of Normal Contributions for Local Employers	$50,962	$50,202
TOTAL STATE GENERAL FUND PAYMENTS EXCLUSIVE OF NORMAL CONTRIBUTIONS FOR STATE MEMBERS	**$50,962**	**$50,202**

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Investment Section

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Investment Consultant's Letter

“Advancing Your Investments”

KEVIN M. LEONARD
SENIOR CONSULTANT

December 10, 2009

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

Dear NHRS Fiduciaries:

NEPC, LLC (NEPC) is pleased to introduce this overview of the New Hampshire Retirement System (NHRS) investment program for the fiscal year ended June 30, 2009.

The overall objective of the New Hampshire Retirement System (NHRS) is to provide service, disability, death and vested retirement benefits, and other postemployment benefits to members and their beneficiaries. To ensure a solid foundation for the future of the System, NHRS plans and implements an investment program designed to achieve the actuarial assumed rate of return over the long term, while prudently managing the risk of the portfolio. Additionally, the NHRS investment program is administered in accordance with sound governance practices and applicable statutes. The Board of Trustees (“Trustees”) established a Statement of Investment Policy which includes asset allocation targets and acceptable ranges as well as benchmarks for performance measurement. The Trustees also adopted an Alternative Investment Policy Statement and a Real Estate Policy. The Trustees retain the services of actuaries and consultants to provide guidance regarding actuarial matters, asset allocation, and investment policy. The Investment Committee manages the investment program pursuant to the Statement of Investment Policy and other related policies, monitors and evaluates performance, and makes determinations regarding the retention of managers. Professional investment managers are selected by the Investment Committee to manage portfolios in accordance with investment management agreements and NHRS proxy voting guidelines. The following pages report on the performance and attributes of the investment program for fiscal year 2009.

From an economic perspective, fiscal year 2009 was difficult with the global markets experiencing unprecedented events such as the effects of the sub-prime mortgage fallout and the ensuing credit crisis, the sudden failure of iconic financial institutions, and severe liquidity constraints resulting in declining consumer confidence. In this environment, volatility soared

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as investors remained anxious and uncertainty continued around future market direction. This confluence of negative events resulted in wide-spread declines in almost every traditional equity and fixed income market.

For the fiscal year ended June 30, 2009, the NHRS Total Fund returned -18.1% on a net-of-fees basis and -17.9% on a gross-of-fees basis, underperforming the Total Fund Custom Benchmark return of -17.2%. On a universe comparison basis, the NHRS Total Fund fiscal year ended June 30, 2009 gross-of-fees return of -17.9 ranked the Fund in the 62nd percentile of the Independent Consultants Cooperative Public Fund Universe. Since June 1989, the System has achieved an 8.3% return on an annualized net-of-fees basis

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

NEPC provides NHRS with quarterly economic and investment market updates and performance reviews, investment manager monitoring and selection advice, and related investment services for traditional and non-traditional asset classes. Investment performance analysis and comparisons produced by NEPC have been calculated using standard performance evaluation methodologies and are consistent with industry standards. Performance results are calculated using a time-weighted return methodology and are reported on a net-of-fees basis.

Sincerely,

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ANNUALIZED INVESTMENT RETURNS—ACTUAL VERSUS INDICES

	Current Year 2009	3 Year	Annualized 5 Year	10 Year
Total NHRS Fund	-18.1%	-3.2%	1.8%	2.1%
Total Fund Custom Index[1]	-17.2	-2.6	2.3	2.4
Domestic Equity	-28.0	-9.9	-2.9	-1.8
Russell 3000 Index	-26.6	-8.3	-1.8	-1.9
International Equity	-31.1	-6.1	3.8	1.4
MSCI ACWI (ex U.S.)	-30.9	-5.8	4.5	2.2
Global Equity[2]	-21.9	—	—	—
MSCI ACWI	-29.3	—	—	—
Fixed Income	5.1	6.4	5.7	6.9
Barclays Capital Universal Bond Index	4.9	5.8	4.9	6.0
Real Estate[3]	-31.7	-4.1	7.0	8.4
NCREIF Property Index + 0.50%	-18.8	2.5	8.4	8.8
Alternative Investments[3]	-31.2	-10.2	-4.4	-4.2
Consumer Price Index + 5%[4]	4.5	7.1	7.6	7.6
Cash Equivalents	1.2	3.6	3.5	3.4
Cash Index	1.0	3.2	3.2	3.2

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

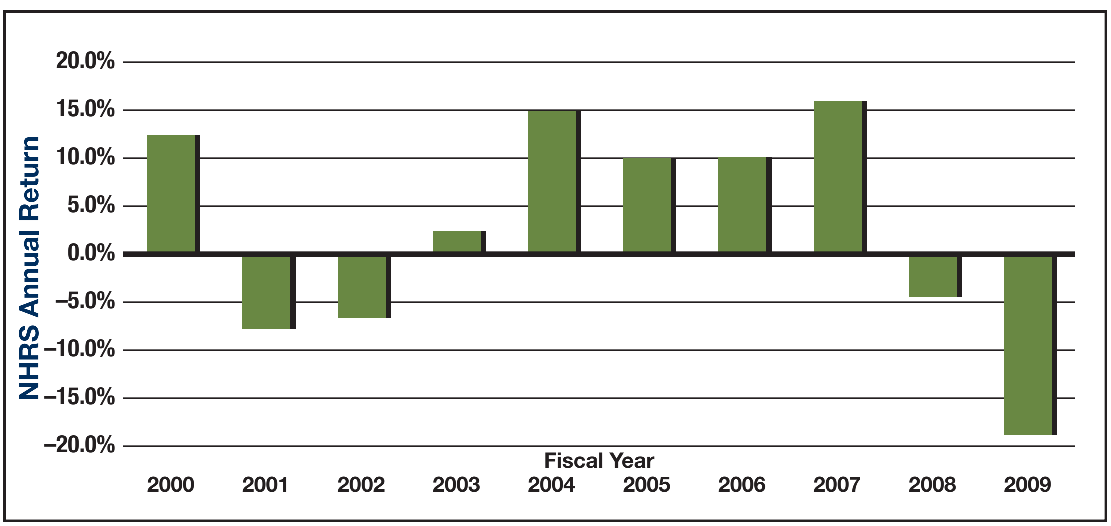
1 The Total Fund Custom Index is comprised of major market indices in proportion to the System's asset allocation.

2 The Investment Committee of the Board of Trustees implemented a 5% allocation to Global Equity, effective July 1, 2008.

3 Performance returns for Real Estate and Alternative Investments reflect a one-quarter lag calculation methodology, with the exception of direct property investments which were appraised as of June 30, 2009 and reflect significant downward revisions in their valuations and performance for fiscal year 2009.

4 There is not a generally-accepted benchmark for Alternative Investments since characteristics vary widely between investment categories. The Consumer Price Index + 5% is utilized for comparative purposes.

Ten Year History of Time-Weighted Annual Returns



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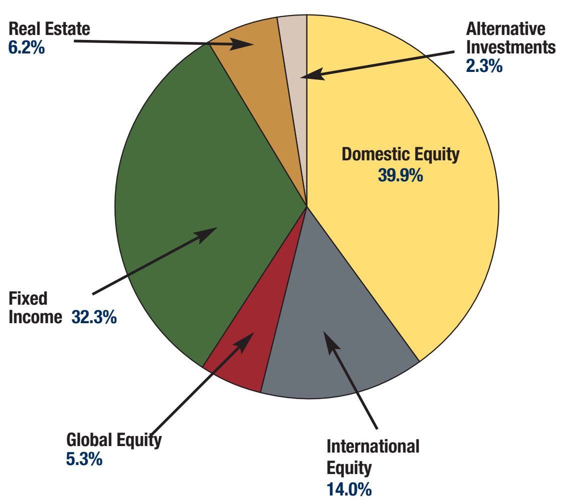
ACTUAL ASSET ALLOCATION VERSUS TARGET ASSET ALLOCATION

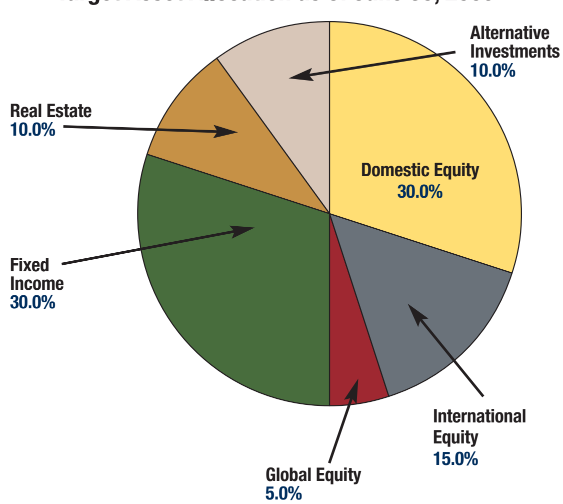
	Actual %	As of June 30, 2009 Target %*	Target Range %
Domestic Equity	39.9 %	30.0 %	26 – 43
International Equity	14.0	15.0	11 – 19
Global Equity	5.3	5.0	3 – 7
Fixed Income	32.3	30.0	26 – 34
Real Estate	6.2	10.0	5 – 15
Alternative Investments	2.3	10.0	0 – 15
TOTAL FUND	**100.0 %**	**100.0 %**	

* On April 8, 2008, the Investment Committee of the Board of Trustees approved the following asset allocation targets, which became effective July 1, 2008: Domestic Equity 30%; International Equity 15%; Global Equity 5%; Fixed Income 30%; Alternative Investments 10%; and Real Estate 10%. Domestic Equity is used for the temporary investment of assets to be redeployed into Alternative Investments and Real Estate pending future commitment decisions in these asset classes.

Actual Asset Allocation as of June 30, 2009



Target Asset Allocation as of June 30, 2009



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TEN LARGEST STOCK HOLDINGS BY FAIR VALUE*

(in thousands)

	Shares	Stock	June 30, 2009 Fair Value
1	954,400	Cisco Systems, Inc.	$17,790
2	618,890	Microsoft Corporation	14,711
3	348,341	SAP AG	14,008
4	238,700	PepsiCo, Inc.	13,119
5	380,300	JPMorgan Chase & Co.	12,972
6	256,130	Teva Pharmaceutical Industries Ltd. ADR	12,637
7	319,830	Nestle SA	12,034
8	364,160	CVS Caremark Corporation	11,606
9	441,600	Wells Fargo & Co.	10,713
10	710,920	Pfizer, Inc.	10,664

TEN LARGEST FIXED INCOME HOLDINGS BY FAIR VALUE*

(in thousands)

	Par	Security	June 30, 2009 Fair Value
1	15,891,817	FHLMC Bonds, 6.000%, Agency, Due 8/15/2028	$16,654
2	15,815,000	U.S. Treasury Bonds, 4.500%, AAA, Due 5/15/2038	16,327
3	11,798,000	FNMA Bonds, 4.000%, Agency, Due 11/25/2018	11,846
4	9,734,888	SBA Bonds, 6.020%, Agency, Due 8/1/2028	10,660
5	10,023,816	SBA Bonds, 5.600%, Agency, Due 3/1/2029	10,641
6	13,000,000**	New South Wales Treasury Bonds, 5.500%, AAA, Due 3/1/2017	10,152
7	10,000,000	FNMA Bonds, 4.000%, Agency, Due 2/25/2019	10,066
8	9,140,000	FNMA Bonds, 6.000%, AAA, Due 4/18/2036	9,556
9	8,806,831	FHLMC Bonds, 4.000%, Agency, Due 9/15/2018	8,820
10	8,405,000	U.S. Treasury Notes, 0.875%, Agency, Due 5/31/2011	8,375

The NHRS Also Invests in the following Collective Investment Trusts:

(in thousands)

Units	Security	June 30, 2009 Fair Value
1,857,482	NTGI Collective Daily Russell 3000 Index Fund	$981,798
21,617,474	Pyramis Core Plus Commingled Pool	268,273
596,482	NTGI Collective Daily Aggregate Bond Index Fund	230,577
15,158,062	NTGI Collective Daily All Country World Index ex-U.S. Fund	128,707

* 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, 2009		
	Assets Under Management (in thousands)	Fees (in thousands)	Basis Points
INVESTMENT MANAGEMENT FEES			
Equity Investments:			
Domestic	$1,715,138	$ 4,117	24
International	632,402	2,476	39
Global	222,708	1,361	61
Fixed Income Investments	1,338,205	3,275	24
Alternative Investments:			
Venture Capital Funds*	21,888	448	27
Buyout Funds*	19,836	362	63
Distressed Debt*	12,994	154	51
Absolute Return Strategies	48,310	571	118
Real Estate	273,559	2,113	77
Cash and Cash Equivalents	115,285	—	—
TOTAL INVESTMENT MANAGEMENT FEES	**$4,400,325**	**$14,877**	**34**
INVESTMENT SERVICE FEES			
Custodial Fees	$4,023,739	$ 679	2
Investment Advisor Fees	4,400,325	1,121	3
Security Lending Management Fees	301,400	652	22
TOTAL INVESTMENT MANAGEMENT AND SERVICE FEES	**$4,400,325**	**$17,329**	**39**

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

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SCHEDULE OF BROKERAGE COMMISSIONS PAID

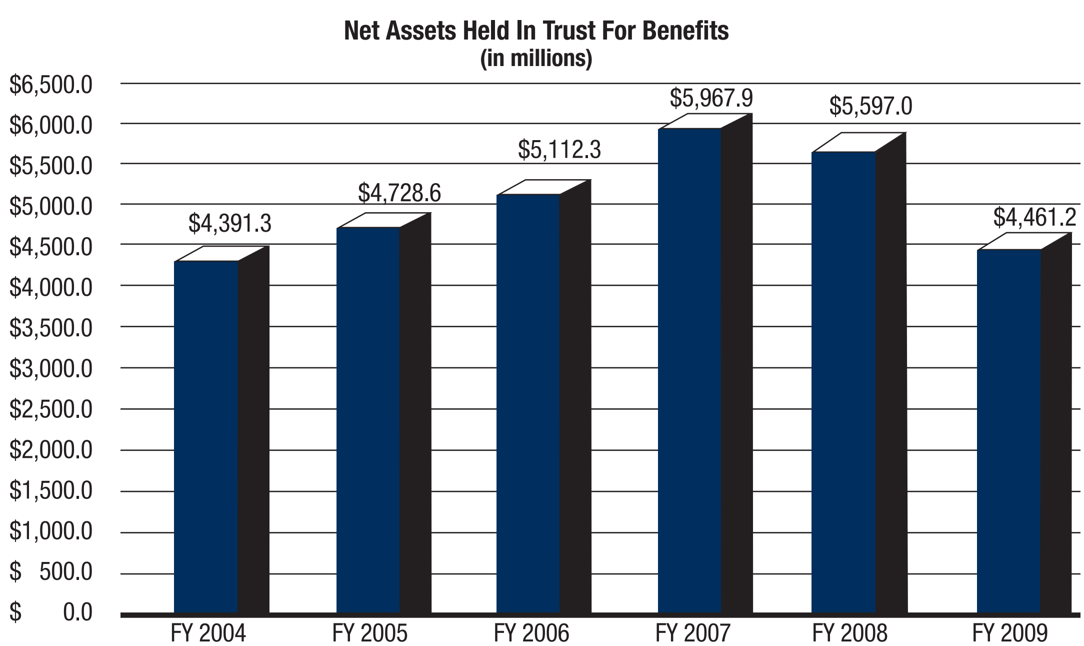
Brokerage Firm	YEAR ENDED JUNE 30, 2009 Number of Shares Traded (in thousands)	Total Commissions (in thousands)	Commissions Per Share
Merrill Lynch & Company, Inc.	14,578	$136	0.01
Goldman Sachs & Company, Inc.	13,860	135	0.01
UBS AG	15,607	125	0.01
Credit Suisse First Boston Corporation	8,966	116	0.01
J.P. Morgan Securities, Inc.	3,789	91	0.02
Abel/Noser Corporation	6,090	90	0.01
Morgan Stanley & Company, Inc.	4,799	85	0.02
Citigroup Global Markets, Inc.	3,599	62	0.02
Liquidnet, Inc.	2,591	58	0.02
The Bank of New York Mellon Corporation	7,992	53	0.01
Investment Technology Group, Inc.	2,842	48	0.02
Lehman Brothers, Inc.	3,548	43	0.01
Jeffries & Company, Inc.	1,317	41	0.03
Deutsche Bank AG	4,165	39	0.01
Cantor Fitzgerald & Company	1,847	33	0.02
Caylon Securities, Inc.	11,764	33	0.01
Barclays Capital	1,034	29	0.03
Bear Stearns Securities Corporation	1,661	29	0.02
The Citation Group	1,331	27	0.02
Robert W. Baird & Company	676	25	0.04
All Others (140 not listed separately)	24,521	608	0.02
TOTAL BROKERAGE COMMISSIONS PAID	**136,577**	**$1,906**	**0.01**

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

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

SUMMARY OF INVESTMENTS

TYPE OF INVESTMENT	June 30, 2009 Fair Value (in millions)	June 30, 2009 Percent of Total Fair Value
FIXED INCOME		
Asset Backed Bonds	$ 11.0	0.3%
Collateralized Mortgage Bond Obligations	88.0	2.0
Commercial Mortgage Backed Bonds	40.0	0.9
Corporate Bonds	289.8	6.6
Government and Agency Bonds	405.9	9.2
Guaranteed Fixed Income	4.6	0.1
Pyramis Core Plus Commingled Pool	268.3	6.1
NTGI Collective Daily Aggregate Bond Index Fund	230.6	5.2
TOTAL FIXED INCOME	**1,338.2**	**30.4**
EQUITY		
Consumer Discretionary	144.2	3.3
Consumer Staples	122.7	2.8
Energy	140.1	3.2
Financial Services	248.9	5.7
Health Care	201.7	4.6
Industrials	165.6	3.8
Information Technology	242.6	5.5
Materials	85.1	1.9
Telecommunication Services	72.7	1.7
Utilities	36.1	0.8
NTGI Collective Daily Russell 3000 Index Fund	981.8	22.3
NTGI Collective Daily All Country World Index ex-U.S. Fund	128.7	2.9
TOTAL EQUITY	**2,570.2**	**58.5**
OTHER INVESTMENTS		
Alternative Investments	103.0	2.3
Real Estate	273.6	6.2
Cash and Cash Equivalents	115.3	2.6
TOTAL INVESTMENTS	**$4,400.3**	**100.0%**



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NEW HAMPSHIRE RETIREMENT SYSTEM

Actuarial Section

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Actuarial Certification

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December 10, 2009

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

Dear Board Members:

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

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

The financial objective is addressed within the biennial actuarial valuation. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over 28 years.

The most recent valuation was completed based upon population data, asset data, and plan provisions as of June 30, 2009. Contributions are established bi-annually for a two year period. The June 30, 2009 actuarial report establishes the contribution requirements for Fiscal Years 2012 and 2013.

The plan administrative staff provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year to year consistency. The actuary summarizes and tabulates population data in order to analyze longer term trends.

The actuary prepared the following supporting schedules for the Comprehensive Annual Financial Report:

- Summary of Actuarial Assumptions
- Percent Retiring Within Next Year
- Probabilities of Becoming Disabled Within Next Year
- Percent Separating Within Next Year
- Individual Employee Pay Increases
- Retiree and Beneficiary Reconciliation
- Retiree and Beneficiary Age Distribution
- Active Members by Valuation Group
- Active Members Age and Service Distribution
- Historical Summary of Active Members Data
- Summary of Membership by Category
- Distribution of Retired Members by Year of Service
- Distribution of Retired Members by Type of Benefit
- Analysis of Financial Experience
- Schedule of Funding Progress
- Solvency Test
- Schedule of Employer Contributions

Information in historical schedules prior to June 30, 2007 was provided by the previous actuary.

The Board of Trustees
December 10, 2009
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Assets are valued on a market related basis that recognizes each year's difference between actual and assumed investment return over a closed five year period.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The actuarial funding method is the Individual Entry Age Actuarial Cost Method, in compliance with NHRS State Statutes. The assumptions and the methods comply with the requirements of Statements No. 25 and No. 43 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. Except as indicated below, actuarial methods and assumptions were adopted by the Board pursuant to the June 30, 2005 Experience Study (which was performed by the prior actuary).

There were changes in plan provisions but no changes in methods or assumptions for the June 30, 2009 valuation.

We certify that the information contained in the June 30, 2009 actuarial valuation report of the NHRS is accurate and fairly presents the actuarial position of the New Hampshire Retirement System as of June 30, 2009. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

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

Respectfully submitted,

Kenneth G. Alberts

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

Summary of Actuarial Assumptions And Methods

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

VALUATION METHODS

PENSION

Actuarial Cost Methods — Normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using an *Individual Entry-Age Actuarial Cost Method* having the following characteristics:

(i) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement;

(ii) each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Actuarial gain/(losses), as they occur, reduce (increase) the unfunded actuarial accrued liability.

Financing of Unfunded Actuarial Accrued Liabilities — unfunded actuarial accrued liabilities were amortized by level (principal and interest combined) percent-of-payroll contributions over 30 years from the contribution effective date of July 1, 2009.

OPEB

(i) Liabilities are determined under the entry-age actuarial cost method.

(ii) Contribution rates to the 401(h) sub-trust are determined as the lesser of 25% of the employers' contributions or the actuarial required contribution rate that keeps the medical subsidy sub-trust solvent (the "solvency rate").

Actuarial Value of Assets — The actuarial value of assets recognizes assumed investment income fully each year. Differences between actual and assumed investment income are phased in over a closed 5 year period. During periods when investment performance exceeds the assumed rate, funding value of assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, funding value of assets will tend to be greater than market value. The funding value of assets is unbiased with respect to market value. If assumed rates are exactly realized for 4 consecutive years, it will become equal to market value. At any time it may be either greater or less than market value. Funding value was limited to a 20% corridor around the market value.

DEVELOPMENT OF AMORTIZATION PAYMENT

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

ECONOMIC ASSUMPTIONS

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

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

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

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

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

Pay increase assumptions for individual active members are shown for sample ages on pages 76–78. Part of the assumption for each age is for merit and/or seniority increase, and the other 4.50% recognizes wage inflation, including price inflation, productivity increases, and other macro economic forces.

GROUP I—EMPLOYEES

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

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

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

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

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

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

DEATHS AFTER RETIREMENT:

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

GROUP I—TEACHERS

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

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

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

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

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

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

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

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

DEATHS AFTER RETIREMENT:

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

GROUP II — POLICE OFFICERS

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

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

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

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

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DEATHS AFTER RETIREMENT:

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

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

GROUP II — FIREFIGHTERS

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

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

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

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

DEATHS AFTER RETIREMENT:

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

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

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TECHNICAL ASSUMPTIONS

Administrative & Investment Expenses	The investment return assumption is intended to be the return net of investment expenses. Annual administrative expenses are assumed to be equal to the prior year's administrative expenses. Assumed administrative expenses are added to the Normal Cost, and were 0.35% of payroll in the June 30, 2009 valuation.
Benefit Service	Exact fractional service is used to determine the amount of benefit payable.
COLA	None assumed.
Decrement Operation	Disability decrements do not operate during retirement eligibility. Only withdrawal operates in the select withdrawal period.
Decrement Timing	Normal and early retirement decrements for the Teachers group are assumed to occur at the beginning of the year. All other decrements were assumed to occur mid-year.
Eligibility Testing	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Forfeitures	None.
Gain Sharing	When the plan becomes 85% funded, current statutes provide that 100% of investment return above 10.5% is to be transferred to the Special Account. Projections based on valuation assuptions suggest that this may begin to occur in approximately 2030. This effect was not included in the valuation and was judged to be small due to the length of time before gain sharing occurs. This is based upon current statutes.
Incidence of Contributions	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll at the time contributions are made.
Liability Adjustments	Normal, early, and vesting retirement liabilities are increased by 7.5%, 8.5%, 10.6%, and 11.2% for Employees, Teachers, Police, and Fire respectively to account for lump sum payments.
Marriage Assumption	Group I: 80% of males and 80% of females are assumed to be married for purposes of death-in-service benefits. Group II: 50% of males and 50% of females are assumed to be married for purposes of death-in-service and death after retirement benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.
Normal Form of Benefit	Group I: The assumed normal form of benefit is a straight life benefit. Group II: The assumed normal form of benefit is straight life for single members and joint and 50% survivor for married members.
Pay Increase Timing	Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
Service Credit Accruals	It is assumed that members accrue one year of service credit per year.

Historical Membership Data — Active and Retired

The following 4 tables summarize the actuarial valuation data for the period from 2001 through 2009. Valuations are prepared biennially. An interim valuation was prepared in fiscal year 2008.

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
2009	26,352	$1,079,157	$ 40,952	7.47%
2008	26,507	1,010,032	38,104	7.05
2007	26,474	942,319	35,594	6.91
2005	26,414	879,419	33,294	9.99
2003	26,371	798,241	30,270	9.23
2001	24,413	676,536	27,712	6.08

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
2009	934	$14,703	322	$3,864	12,192	$142,616	8.23 %	$11,697
2008	1,083	17,897	362	4,199	11,580	131,777	11.60	11,380
2007	1,465	22,691	579	5,471	10,859	118,079	17.07	10,874
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

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
2009	18,709	$1,003,514	$ 53,638	3.73%
2008	18,509	957,068	51,708	3.59
2007	18,477	922,308	49,917	8.28
2005	18,474	851,664	46,101	7.88
2003	18,710	799,544	42,734	8.11
2001	17,718	700,361	39,528	4.02

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
2009	1,001	$26,668	148	$3,214	8,507	$177,199	15.26 %	$20,830
2008	891	23,743	165	4,238	7,654	153,745	14.53	20,087
2007	1,254	29,350	230	4,004	6,928	134,240	23.28	19,376
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

* 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
2009	4,318	$ 257,934	$59,735	5.92%
2008	4,332	244,314	56,398	3.03
2007	4,263	233,348	54,738	13.03
2005	4,573	221,456	48,427	6.35
2003	4,305	196,022	45,534	9.50
2001	4,124	171,489	41,583	8.49

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
2009	157	$ 7,235	28	$ 627	2,565	$82,029	8.76 %	$31,980
2008	179	8,504	36	1,376	2,436	75,421	10.44	30,961
2007	361	14,045	80	1,540	2,293	68,293	22.42	29,783
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

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
2009	1,653	$107,682	$65,144	10.25%)
2008	1,640	96,907	59,090	(3.63)
2007	1,588	97,365	61,313	7.70
2005	1,599	91,029	56,929	9.72
2003	1,524	79,072	51,885	10.17
2001	1,433	67,485	47,094	8.57

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
2009	60	$2,628	23	$ 644	1,237	$41,481	5.02 %	$33,533
2008	63	3,456	31	1,110	1,200	39,497	6.31	32,914
2007	131	7,404	24	1,066	1,168	37,151	20.57	31,807
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

* 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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Solvency Test

TOTAL OF ALL GROUPS

(dollars in thousands)

	Projected Liabilities For				Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits		
Fiscal Year	(1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	(1)	(2)	(3)
2009	$2,393,635	$4,012,274	$2,069,143	$4,937,320	100.00%	63.00%	0.00%
2008	$2,312,069	$3,618,118	$1,891,129	$5,302,034	100.00%	83.00%	0.00%
2007	$2,228,853	$3,210,280	$1,820,582	$4,862,256	100.00%	82.00%	0.00%
2006	$2,133,842	$2,962,579	$1,306,454	$3,928,270	100.00%	60.57%	0.00%
2005	$2,016,420	$2,745,323	$1,229,283	$3,610,800	100.00%	58.08%	0.00%
2004	$1,864,275	$2,320,071	$ 845,531	$3,575,641	100.00%	73.76%	0.00%
2003	$1,754,619	$2,123,689	$ 790,884	$3,500,037	100.00%	82.19%	0.00%
2002	$1,575,703	$1,862,864	$ 757,747	$3,443,395	100.00%	100.00%	0.64%
2001	$1,481,974	$1,675,941	$ 684,687	$3,264,901	100.00%	100.00%	15.63%
2000	$1,309,395	$1,536,578	$ 614,286	$3,109,734	100.00%	100.00%	42.94%

EMPLOYEES

(dollars in thousands)

	Projected Liabilities For				Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits		
Fiscal Year	(1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	(1)	(2)	(3)
2009	$ 899,364	$1,217,430	$ 666,232	$1,600,150	100.00%	58.00%	0.00%
2008	$ 837,375	$1,124,075	$ 581,109	$1,696,189	100.00%	76.00%	0.00%
2007	$ 797,627	$ 997,992	$ 528,538	$1,539,196	100.00%	74.31%	0.00%
2006	$ 774,995	$ 933,225	$ 385,860	$1,243,228	100.00%	50.17%	0.00%
2005	$ 730,153	$ 882,684	$ 348,588	$1,134,798	100.00%	45.84%	0.00%
2004	$ 643,680	$ 750,839	$ 254,683	$1,115,321	100.00%	62.82%	0.00%
2003	$ 613,838	$ 684,995	$ 233,606	$1,080,554	100.00%	68.13%	0.00%
2002	$ 553,104	$ 617,708	$ 207,327	$1,058,702	100.00%	81.85%	0.00%
2001	$ 505,941	$ 561,718	$ 192,915	$ 997,539	100.00%	87.52%	0.00%
2000	$ 436,460	$ 515,947	$ 166,567	$ 955,057	100.00%	100.00%	1.59%

TEACHERS

(dollars in thousands)

	Projected Liabilities For				Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits		
Fiscal Year	(1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	(1)	(2)	(3)
2009	$ 926,049	$1,608,341	$ 855,367	$1,957,103	100.00%	64.00%	0.00%
2008	$ 943,611	$1,387,605	$ 828,084	$2,114,543	100.00%	84.00%	0.00%
2007	$ 925,813	$1,200,541	$ 797,922	$1,925,913	100.00%	83.30%	0.00%
2006	$ 907,835	$1,103,495	$ 545,132	$1,589,546	100.00%	61.78%	0.00%
2005	$ 855,779	$1,013,677	$ 525,782	$1,471,609	100.00%	60.75%	0.00%
2004	$ 823,534	$ 828,111	$ 313,582	$1,468,207	100.00%	77.85%	0.00%
2003	$ 771,525	$ 752,787	$ 302,246	$1,452,513	100.00%	90.46%	0.00%
2002	$ 681,141	$ 650,033	$ 303,105	$1,427,057	100.00%	100.00%	31.63%
2001	$ 656,208	$ 578,020	$ 265,108	$1,355,757	100.00%	100.00%	45.84%
2000	$ 579,900	$ 547,844	$ 281,655	$1,293,907	100.00%	100.00%	59.00%

* 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 Years 2000 to current.

NOTE: Based on an 8.5% interest rate for fiscal years 2005 and later and a 9% interest rate for fiscal years prior to 2005.

POLICE OFFICERS

(dollars in thousands)

Fiscal Year	(1) Aggregate Member Contributions	Projected Liabilities For (2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits (1)	(2)	(3)
2009	$381,273	$790,433	$378,409	$ 940,825	100.00%	71.00%	0.00%
2008	$359,611	$727,584	$339,186	$1,014,088	100.00%	90.00%	0.00%
2007	$344,485	$655,803	$339,086	$ 934,744	100.00%	90.01%	0.00%
2006	$298,887	$605,087	$238,488	$ 734,904	100.00%	72.06%	0.00%
2005	$287,254	$550,848	$226,793	$ 674,715	100.00%	70.34%	0.00%
2004	$263,985	$478,420	$178,048	$ 669,858	100.00%	84.84%	0.00%
2003	$245,172	$444,271	$162,351	$ 656,154	100.00%	92.51%	0.00%
2002	$226,996	$388,254	$155,059	$ 647,996	100.00%	100.00%	21.12%
2001	$210,063	$352,193	$143,042	$ 616,370	100.00%	100.00%	37.83%
2000	$190,592	$316,404	$106,288	$ 581,843	100.00%	100.00%	70.42%

FIREFIGHTERS

(dollars in thousands)

Fiscal Year	(1) Aggregate Member Contributions	Projected Liabilities For (2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits (1)	(2)	(3)
2009	$186,949	$396,070	$169,135	$439,241	100.00%	64.00%	0.00%
2008	$171,471	$378,854	$142,751	$477,214	100.00%	81.00%	0.00%
2007	$160,927	$355,944	$155,036	$462,403	100.00%	84.70%	0.00%
2006	$152,125	$320,772	$136,974	$360,952	100.00%	64.99%	0.00%
2005	$143,234	$298,114	$128,120	$329,678	100.00%	62.54%	0.00%
2004	$133,076	$262,701	$ 99,218	$322,255	100.00%	72.01%	0.00%
2003	$124,084	$241,636	$ 92,681	$310,816	100.00%	77.28%	0.00%
2002	$114,462	$206,869	$ 92,256	$309,640	100.00%	94.35%	0.00%
2001	$109,762	$184,010	$ 83,622	$295,235	100.00%	100.00%	1.75%
2000	$102,443	$156,383	$ 59,776	$278,927	100.00%	100.00%	33.63%

* Liabilities for active members are based on service as of the valuation date and projected compensation at the member's expected retirement date. Also includes terminated vested members.

** Based on Actuarial Value of Assets excluding Special Account and reserve for medical subsidy for Fiscal Years 2000 to current.

NOTE: Based on an 8.5% interest rate for fiscal years 2005 and later and a 9% interest rate for fiscal years prior to 2005.

Analysis of Past Financial Experience

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

RECONCILIATION OF EMPLOYER NORMAL RATE *

EMPLOYEES

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

TEACHERS

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

* Based on forecast valuations.

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

FIREFIGHTERS

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

* Based on forecast valuations.

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Summary of Principal Plan Provisions As Interpreted For Valuation Purposes

1—GENERAL

Legal Plan Name — New Hampshire Retirement System.

Effective Date — July 1, 1967.

Membership — Prospectively, any employee, teacher, permanent police officer or permanent firefighter becomes a member as a condition of employment; except in the case of elected officials or officials appointed for fixed terms, membership is optional.

Average Final Compensation (AFC) — Average annual earnable compensation during highest 3 years of creditable service.

NOTE: — A more detailed description of the plan provisions is available from the System's administrative office.

2—BENEFITS

GROUP I MEMBERS (EMPLOYEES AND TEACHERS)

Service Retirement

Eligibility — Age 60 years.

Amount of Benefit — A member annuity equal to the actuarial equivalent of the member's accumulated contributions plus a state annuity.

Prior to the member's attainment of age 65, the state annuity, together with the member annuity, shall be equal to 1/60 of AFC multiplied by years of service.

After attainment of age 65, the state annuity, together with the member annuity, shall be equal to 1/66 of AFC multiplied by years of service.

Reduced Service Retirement

Eligibility — Age plus service of at least 70, provided the member has at least 20 years of service or age 50 with at least 10 years of service.

Amount of Benefit — Service retirement benefit is reduced by the following percents for each month that benefits commence prior to age 60.

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

Ordinary Disability Retirement

Eligibility — 10 years of service and permanent disability.

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

Accidental Disability Retirement

Eligibility — Permanently disabled due to accident occurring while in the performance of duty.

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Amount of Benefit	Service retirement benefit if age 60, otherwise a member annuity plus a state annuity which together equals 50% of AFC; provided that the benefit shall not be less than 50% of AFC.

Ordinary Death Benefit

Eligibility — Death, other than accidental death.

Amount of Benefit

(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 $10,000. The minimum annual benefit is reduced for benefits payable from Social Security and from any public body benefits.

Ordinary Disability Retirement

Eligibility

10 years service and permanent disability.

Amount of Benefit

A member annuity plus a state annuity which together equals the service retirement benefit; provided that the benefit shall not be less than 25% of the member's annual compensation.

Accidental Disability Retirement

Eligibility

Permanent disability occurring while in the performance of duty.

Amount of Benefit

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

Ordinary Death Benefit

Eligibility

Death other than accidental death.

Amount of Benefit

(a) If 10 years service or if eligible for service retirement and,

(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.

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

3—CONTRIBUTIONS

GROUP I MEMBERS (EMPLOYEES AND TEACHERS)

By Members	State employees who were hired prior to July 1, 2009 and employees of political subdivision employers: 5.0% of earnable compensation. State employees who are hired on or after July 1, 2009: 7.0% of earnable compensation.
By Local Employer	
For Employee Members	100% of the normal contribution rate for their employees, plus accrued liability contributions, if any.
For Teacher Members	For fiscal year 2009, 65% of the normal contribution rate for their employees, plus 65% of accrued liability, if any. For fiscal years 2010 and 2011, local employers will contribute 70% and 75%, respectively, for their employees, plus the same 70% and 75% rate for accrued liability, if any.
By the State	
For Employee Members	100% of the normal contribution rate for its employees, plus accrued liability contributions, if any.
For Teacher Members	For fiscal year 2009, 35% of the normal contribution rate for teachers employed by local employers, plus 35% of accrued liability on same, if any. For fiscal years 2010 and 2011, the State will contribute 30% and 25%, respectively, for teachers employed by local employers, plus the same 30% and 25% rate for accrued liability, if any.

GROUP II MEMBERS (POLICE OFFICERS AND FIREFIGHTERS)

By Members	
Police Officers and Firefighters	9.30% of earnable compensation.
Call Firefighters	$6 per year (not refundable).
By Employing Subdivisions	For fiscal year 2009, 65% of the normal contribution rate for their employees, plus 65% of accrued liability, if any. For fiscal years 2010 and 2011, local employers will contribute 70% and 75%, respectively, for their police officers and firefighters, plus the same 70% and 75% rate for accrued liability, if any. Beginning with fiscal year 2010, the local employers will contribute 100% of the normal contribution rate for “extra or special duty” pay in cases where the employer is billing a third party entity for the cost of extra and special duty services provided to the third party entity.
By the State	For fiscal year 2009, 35% of the normal contribution rate for police officers and firefighters employed by local employers, plus 35% of accrued liability on same, if any. For fiscal years 2010 and 2011, the State will contribute 30% and 25%, respectively, for police officers and firefighters employed by local employers, plus the same 30% and 25% rate for

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accrued liability on the same, if any. In the case of Group II members employed by the State, the State shall pay 100% of both the normal and accrued liability contributions, if any.

OPEB PLAN PROVISIONS

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

Monthly Amounts

	Pre-65	Post-65
Single	$375.56	$236.84
Couple	$751.12	$473.68

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

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

The following Group I members and their qualified spouses are eligible for coverage under the postemployment medical plans:

- Employee and teacher members of political subdivisions who are eligible to retire as of July 1, 2008, on Service, Early Service or Ordinary Disability, have at least 20 years of credited service as of July 1, 2008 and who actually retire on or before July 1, 2009 would become eligible for the medical subsidy at age 60 with at least 20 years of creditable service; or as early as age 55 with at least 30 years of creditable service.
- Employee and teacher members of political subdivisions who are eligible to retire as of July 1, 2008, on Vested Deferred retirement would become eligible for the medical subsidy at age 60 with at least 20 years of creditable service; or as early as age 55 with at least 30 years of creditable service.
- Employee and teacher members of political subdivisions who retired on Accidental Disability Retirement on or before July 1, 2004.
- Employee members of the State who retired on or before July 1, 2004, on Service, Ordinary Disability or Vested Deferred Retirement would become eligible for the medical subsidy at age 60 with at least 20 years of creditable service; or as early as age 55 with at least 30 years of creditable service.
- Employee and teacher members of political subdivisions who are eligible to retire as of July l, 2008 and who actually retire on or before July 1, 2009, on Service, Early Service, Vested Deferred or Ordinary Disability retirement after completing at least 20 years of creditable service and who subsequently attain age 60 or after completing at least 30 years of creditable service and who subsequently attain age 55.
- Surviving spouses of deceased employee and teacher members of political subdivisions who die while in service, provided that such surviving spouse was covered as the member's spouse in the employer-sponsored plan before the member's death and is entitled to a monthly allowance under Accidental Death, Ordinary Death, or an Optional Allowance.
- Surviving spouses and children of employee and teacher members of political subdivisions who die as the natural and proximate result of injuries suffered while in the performance of duty. Eligibility for the medical subsidy ceases when the dependent child attains age 18 or age 23, if attending school on a full-time basis, or upon the spouse's remarriage.
- Surviving spouses and children of employee members of the State who died as the natural and proximate result of injuries suffered while in the performance of duty. Payment of the subsidy ceases when (i) the dependent child attains age 18 or age 23, if attending school on a full-time basis, or (ii) the spouse remarries.

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- Vested terminated employee members of the State (and spouses) who completed at least 20 years of creditable service and prior to July 1, 2004 receives an allowance and who subsequently attains age 60.
- Employee members of the State (and spouses) who retire after completing at least 20 years of creditable service and who subsequently attains age 60 before July 1, 2004 or after completing at least 30 years of creditable service and who subsequently attains age 55 before July 1, 2004.
- Surviving spouses of deceased employee members of the State who died while in service on or before July 1, 2004, provided that such surviving spouse was covered as the member's spouse in the employer-sponsored plan before the member's death and is entitled to a monthly allowance under Accidental Death, Ordinary Death, or an Optional Allowance.
- Any certifiably dependent child with a disability living in the household and being cared for by the qualified retired member, member's spouse, or qualified surviving spouse would also qualify.

The following Group II members are eligible for the postemployment medical plans:

- Active or Retired Group II police officer members (or beneficiaries) as of June 30, 2000.
- Active or Retired Group II firefighter members (or beneficiaries) as of June 30, 2000.
- Persons who prior to July 1, 1988 had completed at least 20 years of Group II service and are eligible as of July 1, 1993 for a vested deferred retirement benefit.
- Group II members retired as of July 1, 1991 with a split benefit under RSA 100-A:19-c who have at least 10 years of Group II service.
- Group II members as of June 30, 2005 who subsequently became disabled while in the performance of duty at any time in the future.
- Surviving spouses of deceased Group II members who retired prior to April 1, 1987 and who are not receiving a monthly allowance.

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

NEW HAMPSHIRE RETIREMENT SYSTEM

Statistical Section

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Statistical Section
Summary

The schedules that follow in this Statistical Section contain statistical and historical data that is considered useful in assessing the economic condition of the Pension and OPEB plans and for evaluating financial and demographic trends over longer periods of time. Included in this section are the following schedules:

- Schedules of Changes in Net Assets for all plans for the past ten years
- Schedules of Benefit and Refund Deductions for all plans over the past ten years
- Schedules of Retired Members by Type of Benefit for all plans
- Schedules of Average Benefit Payment Amounts for all plans
- Schedules of the Principal Participating Employers for all plans
- A Listing of Participating Employers

The NHRS has prepared the data presented for the Changes in Net Assets schedules, Benefit and Refund Deduction schedules, the Principal Participating Employers schedules and the Listing of Participating Employers. The schedules of Retired Members by Type of Benefit and the Schedules of Average Benefit Payments Amounts were prepared by the NHRS's actuary. Due to changes in accounting systems, some data is not available or is limited for the full ten year periods but data for the full ten year periods will be added prospectively.

The investment climate over the past decade has been one of positive returns interspersed with poor returns. Fiscal year 2009 proved to be the worst year the NHRS has ever experienced due to the economic crisis and recession of 2008-2009. Although investment returns were positive overall for the decade, net investment income did not achieve the assumed investment return assumption for that period. In absolute dollars, employer contributions to the pension plan have risen 318% over the decade and member contributions to the pension plan have risen 162% over the same period. Pension benefits rose 255% over the decade. Similar increases have been experienced in OPEB contributions and benefits.

The number of NHRS retirees continues to grow at a fast pace along with the average annual benefits amounts paid out. The active membership rolls have remained fairly stable and are starting to decline slightly. The number of participating employers remains stable.

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CHANGES IN NET ASSETS — PENSION PLAN
LAST TEN FISCAL YEARS

(in thousands)

	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
Additions:					
Employer Contributions	$ 196,214	$188,197	$ 120,438	$109,372	$ 89,459
Member Contributions	142,528	157,985	272,369	147,821	145,706
Net Investment Income (Loss)	(962,057)	(284,095)	769,701	417,927	373,602
Postemployment Medical Plan Transfers on Behalf of Employers	—	—	58,201	61,449	43,595
Net Asset Transfers	—	—	295,392	—	—
Other	622	1,721	86	745	1,198
Total Additions to Plan Net Assets	**($ 622,693)**	**$ 63,808**	**$1,516,187**	**$737,314**	**$653,560**
Deductions:					
Pension Benefits	$ 452,380	$391,929	$ 344,851	$316,637	$291,915
Refunds of Contributions	24,204	32,297	34,080	29,382	19,991
Administrative Expense	6,968	6,691	5,607	4,799	4,314
Professional Fees	1,372	1,382	665	965	705
Other	2,331	1,910	1,775	1,807	3,313
Total Deductions from Plan Net Assets	**$ 487,255**	**$434,209**	**$0.386,978**	**$353,590**	**$320,238**
Change in Plan Net Assets	**($1,109,948)**	**($370,401)**	**$1,129,209**	**$383,724**	**$333,322**

	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Additions:					
Employer Contributions	$ 80,557	$ 59,172	$ 57,558	$ 56,339	$ 61,791
Member Contributions	129,087	117,412	103,211	93,999	88,237
Net Investment Income (Loss)	500,511	47,862	(288,289)	(330,304)	591,105
Postemployment Medical Plan Transfers on Behalf of Employers	43,083	29,305	25,958	18,317	8,037
Other	817	890	1,894	5,243	6,512
Total Additions to Plan Net Assets	**$754,055**	**$254,641**	**($099,668)**	**($156,406)**	**$755,682**
Deductions:					
Pension Benefits	$267,007	$244,725	$224,412	$200,116	$177,489
Refunds of Contributions	16,781	15,223	15,278	16,979	19,485
Net Asset Transfers	—	—	160,374	64,437	108,000
Administrative Expense	4,924	4,619	4,263	4,074	3,191
Professional Fees	625	606	389	576	830
Other	2,003	1,830	811	601	404
Total Deductions from Plan Net Assets	**$291,340**	**$267,003**	**$405,527**	**$286,783**	**$309,399**
Change in Plan Net Assets	**$462,715**	**($ 12,362)**	**($505,195)**	**($443,189)**	**$446,283**

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

(in thousands)

	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
Additions:					
Employer Contributions	$18,707	$17,369	$ 18,078	$20,891	$14,834
Net Investment Income (Loss)	(21,012)	(5,895)	40,736	23,545	21,638
Net Asset Transfers	—	—	—	—	1,678
Other	14	36	2	75	129
Total Additions to Plan Net Assets	**($ 2,291)**	**$11,510**	**$ 58,816**	**$44,511**	**$38,279**
Deductions:					
Benefits Paid	$15,688	$15,229	$13,672	$12,374	$11,209
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	—	—	18,078	20,891	14,834
Net Asset Transfers	—	—	160,377	—	—
Administrative Expense	152	139	295	277	261
Professional Fees	30	29	25	87	60
Other	51	40	90	135	106
Total Deductions from Plan Net Assets	**$15,921**	**$15,437**	**$192,537**	**$33,764**	**$26,470**
Change in Plan Net Assets	**($18,212)**	**($ 3,927)**	**($133,721)**	**$10,747**	**$11,809**

	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Additions:					
Employer Contributions	$15,148	$ 8,011	$ 7,640	$ 5,974	$ 4,179
Net Investment Income (Loss)	30,096	2,435	(17,495)	(17,294)	24,590
Net Asset Transfers	1,688	1,551	35,130	11,272	15,000
Other	95	81	227	426	331
Total Additions to Plan Net Assets	**$47,027**	**$12,078**	**$25,502**	**$ 378**	**$44,100**
Deductions:					
Benefits Paid	$10,104	$ 8,997	$ 8,053	$ 6,938	$ 6,014
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	15,148	8,011	7,640	5,974	4,179
Net Asset Transfers	—	—	—	—	—
Administrative Expense	309	165	465	315	157
Professional Fees	52	28	34	36	37
Other	22	15	73	48	20
Total Deductions from Plan Net Assets	**$25,635**	**$17,216**	**$16,265**	**$13,311**	**$10,407**
Change in Plan Net Assets	**$21,392**	**($ 5,138)**	**$ 9,237**	**($12,933)**	**$33,693**

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

(in thousands)

	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
Additions:					
Employer Contributions	$22,998	$22,887	$ 17,791	$19,857	$11,135
Net Investment Income (Loss)	(3,701)	(1,151)	15,294	9,948	9,726
Net Asset Transfers	—	—	—	—	—
Other	2	7	—	—	—
Total Additions to Plan Net Assets	**$19,299**	**$21,743**	**$ 33,085**	**$29,805**	**$20,861**
Deductions:					
Benefits Paid	$24,489	$21,018	$ 17,260	$14,575	$12,350
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	—	—	17,791	19,857	11,135
Net Asset Transfers	—	—	78,362	—	—
Administrative Expense	27	27	109	111	112
Professional Fees	5	5	7	6	9
Other	9	7	33	25	39
Total Deductions from Plan Net Assets	**$24,530**	**$21,057**	**$113,562**	**$34,574**	**$23,645**
Change in Plan Net Assets	**($ 5,231)**	**$ 686**	**($ 80,477)**	**($ 4,769)**	**($ 2,784)**

	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Additions:					
Employer Contributions	$11,741	$10,423	$ 9,862	$ 9,758	$ 3,858
Net Investment Income (Loss)	14,654	1,047	(9,509)	(7,626)	844
Net Asset Transfers	—	—	34,955	16,781	93,000
Other	—	—	—	—	—
Total Additions to Plan Net Assets	**$26,395**	**$11,470**	**$35,308**	**$18,913**	**$97,702**
Deductions:					
Benefits Paid	$10,591	$ 8,747	$ 7,235	$ 5,536	$ 2,110
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	11,741	10,423	9,862	9,758	3,858
Net Asset Transfers		—	—	—	—
Administrative Expense	141	132	24	13	5
Professional Fees	11	14	8	9	5
Other	8	5	15	1	—
Total Deductions from Plan Net Assets	**$22,492**	**$19,321**	**$17,144**	**$15,317**	**$5,978**
Change in Plan Net Assets	**$ 3,903**	**($ 7,851)**	**$18,164**	**$ 3,596**	**$91,724**

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

(in thousands)

	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
Additions:					
Employer Contributions	$12,381	$11,420	$11,858	$11,102	$ 8,957
Net Investment Income (Loss)	($ 8,466)	(1,632)	13,254	8,779	8,728
Net Asset Transfers	—	—	—	—	—
Other	1,023	449	942	983	906
Total Additions to Plan Net Assets	**$ 4,938**	**$10,237**	**$26,054**	**$20,864**	**$18,591**
Deductions:					
Benefits Paid	$ 6,496	$ 5,732	$ 4,880	$ 4,003	$ 3,432
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	—	—	11,858	11,102	8,957
Net Asset Transfers	—	—	27,805	—	—
Administrative Expense	61	38	94	97	90
Professional Fees	12	8	8	5	7
Other	21	11	29	23	31
Total Deductions from Plan Net Assets	**$ 6,590**	**$ 5,789**	**$44,674**	**$15,230**	**$12,517**
Change in Plan Net Assets	**($ 1,652)**	**$ 4,448**	**($18,620)**	**$ 5,634**	**$ 6,074**

	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Additions:					
Employer Contributions	$ 8,126	$5,456	$ 5,825	$ 2,585	$ —
Net Investment Income (Loss)	13,532	860	(7,533)	(1,906)	—
Net Asset Transfers	—	—	90,289	36,384	—
Other	736	730	100	—	—
Total Additions to Plan Net Assets	**$22,394**	**$7,046**	**$88,681**	**$37,063**	**—**
Deductions:					
Benefits Paid	$ 2,866	$2,294	$ 1,659	$ 596	—
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	8,126	5,456	5,825	2,585	—
Net Asset Transfers	—	—	—	—	—
Administrative Expense	123	122	22	3	—
Professional Fees	10	13	5	2	—
Other	7	5	9	—	—
Total Deductions from Plan Net Assets	**$11,132**	**$ 7,890**	**$ 7,520**	**$ 3,186**	**$ —**
Change in Plan Net Assets	**$11,262**	**($ 844)**	**$81,161**	**$33,877**	**$ —**

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

(in thousands)

	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
Additions:					
Employer Contributions	$11,150	$10,030	$10,474	$9,599	$8,669
Net Investment Income (Loss)	—	—	—	—	—
Net Asset Transfers	—	—	—	—	—
Other	—	—	—	—	—
Total Additions to Plan Net Assets	**$11,150**	**$10,030**	**$10,474**	**$9,599**	**$8,669**
Deductions:					
Benefits Paid	$10,926	$11,266	$10,941	$10,687	$10,211
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	—	—	10,474	9,599	8,669
Net Asset Transfers	—	—	28,848	—	—
Administrative Expense	—	—	—	—	—
Professional Fees	—	—	—	—	—
Other	1,017	439	942	983	906
Total Deductions from Plan Net Assets	**$11,943**	**$11,705**	**$51,205**	**$21,269**	**$19,786**
Change in Plan Net Assets	**($ 793)**	**($ 1,675)**	**($40,731)**	**($11,670)**	**($11,117)**

	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Additions:					
Employer Contributions	$ 8,068	$ 5,415	$2,631	$ —	$ —
Net Investment Income (Loss)	—	—	—	—	—
Net Asset Transfers	—	—	—	—	—
Other	—	—	—	—	—
Total Additions to Plan Net Assets	**$ 8,068**	**$ 5,415**	**$2,631**	**$ —**	**$ —**
Deductions:					
Benefits Paid	$ 8,931	$ 7,869	$7,062	$ —	$ —
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	8,068	5,415	2,631	—	—
Net Asset Transfers	—	—	—	—	—
Administrative Expense	—	—	—	—	—
Professional Fees	—	—	—	—	—
Other	736	730	100	—	—
Total Deductions from Plan Net Assets	**$17,735**	**$14,014**	**$9,793**	**$ —**	**$ —**
Change in Plan Net Assets	**($ 9,667)**	**($ 8,599)**	**($7,162)**	**$ —**	**$ —**

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Schedules of Benefit Payments By Type

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

(in thousands)

	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
Type of Benefit					
Age and Service Benefits:					
Service Retirement	$249,909	$216,344	$190,973	$176,207	$164,415
Early Retirement	125,471	101,286	86,655	78,718	71,299
Survivors	25,160	21,961	19,915	18,438	16,908
Vested Deferred	17,042	18,573	16,054	14,064	12,373
Other	5,040	5,546	3,959	3,163	2,284
Death in Service Benefit	2,000	2,396	2,456	2,383	2,134
Disability Benefits					
Duty Related	18,043	16,869	16,198	15,575	14,785
Non Duty Related	8,261	7,567	7,253	6,753	6,452
Survivors	1,454	1,387	1,388	1,336	1,265
Total Benefits	**$452,380**	**$391,929**	**$344,851**	**$316,637**	**$291,915**
Type of Refund					
Separation	$ 20,364	$ 29,613	$ 31,502	$ 26,630	$ 16,992
Death	3,840	2,684	2,578	2,752	2,999
Total Refunds	**$ 24,204**	**$ 32,297**	**$ 34,080**	**$ 29,382**	**$ 19,991**

	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Type of Benefit					
Age and Service Benefits:					
Service Retirement	$152,955	$140,988	$131,838	$119,877	$107,723
Early Retirement	62,194	54,024	47,064	40,336	34,056
Survivors	15,234	13,507	12,391	10,603	8,452
Vested Deferred	11,022	9,616	8,603	7,406	6,334
Other	1,498	1,407	1,227	1,108	821
Death in Service Benefit	2,549	4,620	3,740	3,139	4,406
Disability Benefits					
Duty Related	14,246	13,506	12,816	11,695	10,415
Non Duty Related	6,200	6,012	5,730	5,017	4,431
Survivors	1,109	1,045	1,003	935	851
Total Benefits	**$267,007**	**$244,725**	**$224,412**	**$200,116**	**$177,489**
Type of Refund					
Separation	$ 16,781	$ 15,278	$ 16,979	$ 16,979	$ 19,485
Death					
Total Benefits	**$ 16,781**	**$ 15,278**	**$ 16,979**	**$ 16,979**	**$ 19,485**

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

(in thousands)

	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
Type of Benefit					
Medical Subsidy Payments	$15,688	$15,229	$13,672	$12,374	$11,209
Total Benefits	**$15,688**	**$15,229**	**$13,672**	**$12,374**	**$11,209**

	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Type of Benefit					
Medical Subsidy Payments	$10,104	$ 8,997	$ 8,053	$ 6,938	$ 6,014
Total Benefits	**$10,104**	**$ 8,997**	**$ 8,053**	**$ 6,938**	**$ 6,014**

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

(in thousands)

	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
Type of Benefit					
Medical Subsidy Payments	$24,489	$21,018	$17,260	$14,575	$12,350
Total Benefits	**$24,489**	**$21,018**	**$17,260**	**$14,575**	**$12,350**

	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Type of Benefit					
Medical Subsidy Payments	$10,591	$ 8,747	$ 7,235	$ 5,536	$ 2,110
Total Benefits	**$10,591**	**$ 8,747**	**$ 7,235**	**$ 5,536**	**$ 2,110**

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

(in thousands)

	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
Type of Benefit					
Medical Subsidy Payments	$6,496	$5,732	$4,880	$4,003	$3,432
Total Benefits	**$6,496**	**$5,732**	**$4,880**	**$4,003**	**$3,432**

	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Type of Benefit					
Medical Subsidy Payments	$2,866	$2,294	$1,659	$ 596	$ —
Total Benefits	**$2,866**	**$2,294**	**$1,659**	**$ 596**	**$ —**

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

(in thousands)

	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
Type of Benefit					
Medical Subsidy Payments	$10,926	$11,266	$10,941	$10,687	$10,211
Total Benefits	**$10,926**	**$11,266**	**$10,941**	**$10,687**	**$10,211**

	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Type of Benefit					
Medical Subsidy Payments	$8,931	$ 7,869	$ 7,062	$ —	$ —
Total Benefits	**$8,931**	**$ 7,869**	**$ 7,062**	**$ —**	**$ —**

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Schedule of Retired Members By Type of Benefit

SCHEDULE OF RETIRED AND VESTED MEMBERS BY TYPE OF BENEFITS AS OF JUNE 30, 2009
PENSION PLAN

		Type of Retirement*						
Amount of Monthly Benefit	Number of Retirees	1	2	3	4	5	6	7
EMPLOYEES								
$1–500	4,089	3,390	53	1	4	—	502	139
501–1,000	3,786	2,886	243	145	5	2	335	170
1,001–1,500	2,291	1,638	61	213	4	4	116	255
1,501–2,000	1,254	969	17	71	3	2	63	129
2,001–2,500	677	568	2	18	—	2	44	43
2,501–3,000	381	329	2	7	—	1	27	15
3,001–3,500	194	179	1	1	—	—	12	1
3,501–4,000	139	135	—	1	—	—	3	—
Over 4,000	133	130	1	—	—	—	2	—
Totals	**12,944**	**10,224**	**380**	**457**	**16**	**11**	**1,104**	**752**
TEACHERS								
$1–500	986	848	—	—	—	—	56	82
501–1,000	1,393	1,181	57	—	1	—	80	74
1,001–1,500	1,571	1,186	64	5	4	—	68	244
1,501–2,000	1,487	1,302	22	7	4	1	43	108
2,001–2,500	1,414	1,288	20	4	1	1	44	56
2,501–3,000	1,035	1,000	1	1	1	—	23	9
3,001–3,500	686	668	1	—	1	—	15	1
3,501–4,000	322	313	—	—	1	—	8	—
Over 4,000	187	185	—	—	—	—	2	—
Totals	**9,081**	**7,971**	**165**	**17**	**13**	**2**	**339**	**574**
POLICE OFFICERS								
$1–500	139	101	1	—	—	3	25	9
501–1,000	275	147	6	2	—	2	109	9
1,001–1,500	285	161	24	14	—	2	74	10
1,501–2,000	295	189	17	42	—	1	28	18
2,001–2,500	344	247	5	69	—	2	14	7
2,501–3,000	311	231	—	63	—	1	15	1
3,001–3,500	262	221	—	32	1	3	5	—
3,501–4,000	206	189	—	12	—	—	5	—
Over 4,000	502	471	—	25	—	1	5	—
Totals	**2,619**	**1,957**	**53**	**259**	**1**	**15**	**280**	**54**
FIREFIGHTERS								
$1–500	39	24	—	1	—	2	11	1
501–1,000	83	28	1	—	—	—	54	—
1,001–1,500	153	61	7	12	—	5	68	—
1,501–2,000	142	78	9	16	—	2	34	3
2,001–2,500	170	116	2	26	1	3	18	4
2,501–3,000	158	121	2	25	—	1	6	3
3,001–3,500	132	121	1	9	—	—	1	—
3,501–4,000	111	100	—	7	—	1	3	—
Over 4,000	260	243	—	6	1	—	10	—
Totals	**1,248**	**892**	**22**	**102**	**2**	**14**	**205**	**11**

* 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

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Option Selected #										
No Option	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8	Option 9	Other*
2,448	241	279	72	738	161	9	2	—	—	139
2,102	186	240	93	722	261	8	4	—	—	170
1,070	103	173	75	425	186	2	2	—	—	255
513	36	121	48	309	95	2	1	—	—	129
249	18	64	33	211	58	—	1	—	—	43
127	15	47	14	109	54	—	—	—	—	15
61	6	27	12	63	24	—	—	—	—	1
44	3	18	10	51	13	—	—	—	—	—
23	3	24	15	44	22	1	1	—	—	—
6,637	**611**	**993**	**372**	**2,672**	**874**	**22**	**11**	**—**	**—**	**752**
485	60	56	21	215	60	2	5	—	—	82
772	149	64	26	246	58	4	—	—	—	74
675	80	100	42	319	110	1	—	—	—	244
608	68	103	44	404	145	1	6	—	—	108
562	52	96	50	433	161	1	3	—	—	56
399	37	89	33	338	126	—	4	—	—	9
298	26	65	29	199	65	1	2	—	—	1
119	19	31	16	97	40	—	—	—	—	—
71	6	19	6	61	24	—	—	—	—	—
3,989	**497**	**623**	**267**	**2,312**	**789**	**10**	**20**	**—**	**—**	**574**
82	1	6	14	7	20	—	—	—	—	9
204	6	11	11	13	21	—	—	—	—	9
183	15	12	12	18	35	—	—	—	—	10
155	17	8	29	15	52	1	—	—	—	18
159	25	11	43	20	79	—	—	—	—	7
127	15	7	55	14	92	—	—	—	—	1
93	17	1	71	6	74	—	—	—	—	—
68	9	2	41	9	77	—	—	—	—	—
121	10	6	160	13	192	—	—	—	—	—
1,192	**115**	**64**	**436**	**115**	**642**	**1**	**—**	**—**	**—**	**54**
26	—	2	1	2	7	—	—	—	—	1
74	—	1	1	1	6	—	—	—	—	—
119	10	8	6	5	5	—	—	—	—	—
83	13	6	14	10	13	—	—	—	—	3
83	14	7	22	4	36	—	—	—	—	4
62	9	4	25	11	44	—	—	—	—	3
35	6	2	29	2	58	—	—	—	—	—
30	6	2	23	1	49	—	—	—	—	—
76	10	—	59	3	110	1	1	—	—	—
588	**68**	**32**	**180**	**39**	**328**	**1**	**1**	**—**	**—**	**11**

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

* Elections for vested members with future benefits are made at commencement of benefits.

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFITS AS OF JUNE 30, 2009
OPEB PLANS

		One Person		Two Person	
Amount of Monthly Benefit	Number of Retirees	Pre 65	Post 65	Pre 65	Post 65
GROUP II POLICE OFFICERS & FIREFIGHTERS					
$1–500	1,307	384	899	16	8
501–1,000	1,127	163	138	811	15
1,001–1,500	25	5	2	18	—
1,501–2,000	2	1	—	1	—
Over $2,000	—	—	—	—	—
Total	**2,461**	**553**	**1,039**	**846**	**23**
GROUP I TEACHERS OPEB PLAN					
$1–500	2,758	595	2,147	4	12
501–1,000	1,257	489	273	360	135
1,001–1,500	158	45	8	81	24
1,501–2,000	6	2	—	4	—
Over $2,000	—	—	—	—	—
Total	**4,179**	**1,131**	**2,428**	**449**	**171**
GROUP I POLITICAL SUBDIVISION EMPLOYEES OPEB PLAN					
$1–500	957	134	823	—	—
501–1,000	329	122	99	91	17
1,001–1,500	14	2	—	11	1
1,501–2,000	1	—	—	1	—
Over $2,000	—	—	—	—	—
Total	**1,301**	**258**	**922**	**103**	**18**
GROUP I STATE EMPLOYEES OPEB PLAN					
$1–500	1,849	171	1,638	1	39
501–1,000	416	71	129	183	33
1,001–1,500	1	—	—	—	1
1,501–2,000	2	1	—	1	—
Over $2,000	—	—	—	—	—
Total	**2,268**	**243**	**1,767**	**185**	**73**
TOTAL — OPEB PLANS					
$1–500	6,871	1,284	5,507	21	59
501–1,000	3,129	845	639	1,445	200
1,001–1,500	198	52	10	110	26
1,501–2,000	11	4	—	7	—
Over $2,000	—	—	—	—	—
Total	**10,209**	**2,185**	**6,156**	**1,583**	**285**

Schedules of Average Benefit Payment Amounts

SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS
PENSION PLAN — EMPLOYEES

2009 — Years Credited Service

Service	0–4. yrs.	5–9 yrs.	10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
Average monthly benefit	$325	$374	$547	$802	$1,084	$1,438	$2,152	$975
Average final average salary	$31,667	$35,280	$36,695	$40,033	$43,215	$48,520	$58,876	$43,547
Number of retired members	876*	1,299	3,051	1,971	1,942	1,139	1,914	12,192**

* Includes 141 members who did not have service reported.
** Includes 8,241 members who did not have FAS reported.

2008 — Years Credited Service

Service	0–4. yrs.	5–9 yrs.	10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
Average monthly benefit	$314	$368	$538	$785	$1,070	$1,428	$2,096	$948
Average final average salary	$30,781	$36,237	$35,989	$39,536	$42,625	$47,998	$57,600	$42,962
Number of retired members	838*	1,268	2,940	1,896	1,786	1,058	1,794	11,580**

* Includes 121 members who did not have service reported.
** Includes 8,377 members who did not have FAS reported.

2007

Service	0–4. yrs.	5–9 yrs.	10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
Average monthly benefit	$312	$338	$515	$751	$1,031	$1,380	$1,990	$906
Average final average salary	$30,208	$35,154	$35,536	$38,286	$41,757	$46,491	$54,769	$41,602
Number of retired members	685*	1,240	2,745	1,885	1,666	966	1,672	10,859**

* Includes 81 members who did not have service reported.
** Includes 8,518 members who did not have FAS reported.

SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS
PENSION PLAN — TEACHERS

2009 — Years Credited Service

Service	0–4 yrs.	5–9 yrs.	10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
Average monthly benefit	$422	$477	$653	$984	$1,409	$1,817	$2,591	$1,736
Average final average salary	$49,132	$52,820	$43,328	$50,592	$57,660	$61,404	$67,107	$59,692
Number of retired members	155*	179	986	931	1,702	1,477	3,077	8,507**

* Includes 69 members who did not have service reported.
** Includes 5,217 members who did not have FAS reported.

2008 — Years Credited Service

Service	0–4 yrs.	5–9 yrs.	10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
Average monthly benefit	$418	$457	$636	$966	$1,381	$1,789	$2,528	$1,674
Average final average salary	$48,040	$53,161	$42,990	$50,213	$56,717	$60,162	$65,739	$58,253
Number of retired members	137*	171	929	886	1,531	1,347	2,653	7,654**

* Includes 59 members who did not have service reported.
** Includes 5,208 members who did not have FAS reported.

2007

Service	0–4 yrs.	5–9 yrs.	10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
Average monthly benefit	$392	$417	$614	$931	$1,348	$1,761	$2,446	$1,615
Average final average salary	$48,572	$51,663	$41,693	$49,356	$56,367	$58,937	$63,650	$56,556
Number of retired members	103*	163	842	855	1,390	1,245	2,330	6,928**

* Includes 37 members who did not have service reported.
** Includes 5,209 members who did not have FAS reported.

NOTE: Due to system changes, average final average salary data is only available for fiscal years 2009, 2008, and 2007. The available data is limited and represents average final average salary for those members who have retired since fiscal year of 2004. Additional years data will be added prospectively.

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SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS
PENSION PLAN — POLICE OFFICERS

2009

Service	Years Credited Service 0–4 yrs.	5–9 yrs.	10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
Average monthly benefit	$931	$1,337	$1,453	$2,026	$2,816	$3,768	$5,068	$2,665
Average final average salary	$42,229	$50,574	$44,919	$56,748	$70,720	$82,705	$91,617	$71,464
Number of retired members	200*	139	293	232	1,093	455	153	2,565**

* Includes 115 members who did not have service reported.
** Includes 1,808 members who did not have FAS reported.

2008

Service	Years Credited Service 0–4 yrs.	5–9 yrs.	10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
Average monthly benefit	$904	$1,319	$1,447	$2,012	$2,757	$3,631	$4,802	$2,580
Average final average salary	$42,170	$50,113	$45,063	$57,239	$69,092	$80,884	$87,128	$69,835
Number of retired members	191*	137	281	221	1,044	424	138	2,436**

* Includes 106 members who did not have service reported.
** Includes 1,806 members who did not have FAS reported.

2007

Service	0–4 yrs.	5–9 yrs.	10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
Average monthly benefit	$857	$1,229	$1,441	$1,924	$2,659	$3,417	$4,396	$2,482
Average final average salary	$42,069	$44,602	$45,745	$54,398	$68,606	$78,547	$82,489	$68,235
Number of retired members	162*	130	264	225	959	411	142	2,293**

* Includes 74 members who did not have service reported.
** Includes 1,810 members who did not have FAS reported.

SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS
PENSION PLAN — FIREFIGHTERS

2009

Service	Years Credited Service 0–4 yrs.	5–9 yrs.	10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
Average monthly benefit	$967	$1,439	$1,585	$1,998	$2,537	$3,707	$4,592	$2,794
Average final average salary	$55,668	$46,372	$48,616	$63,891	$70,685	$83,078	$88,852	$76,730
Number of retired members	78*	28	72	107	534	295	123	1,237

** Includes 60 members who did not have service reported.
** Includes 963 members who did not have FAS reported.

2008

Service	Years Credited Service 0–4 yrs.	5–9 yrs.	10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
Average monthly benefit	$958	$1,438	$1,545	$1,958	$2,488	$3,661	$4,526	$2,743
Average final average salary	$55,668	$42,455	$46,301	$64,705	$69,420	$83,187	$87,553	$76,307
Number of retired members	74*	27	70	105	523	287	114	1,200**

* Includes 56 members who did not have service reported.
** Includes 966 members who did not have FAS reported.

2007

Service	0–4 yrs.	5–9 yrs.	10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
Average monthly benefit	$924	$1,286	$1,534	$1,933	$2,396	$3,495	$4,229	$2,651
Average final average salary	$57,429	$0	$45,518	$64,027	$69,135	$82,005	$86,698	$75,540
Number of retired members	67*	22	73	108	488	297	113	1,168**

* Includes 47 members who did not have service reported.
** Includes 978 members who did not have FAS reported.

NOTE: Due to system changes, average final average salary data is only available for fiscal years 2009, 2008, and 2007. The available data is limited and represents average final average salary for those members who have retired since fiscal year of 2004. Additional years data will be added prospectively.

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SCHEDULES OF AVERAGE BENEFIT PAYMENT AMOUNTS — OPEB PLANS*

GROUP II — POLICE OFFICERS AND FIREFIGHTERS

2009 Service	0–4 yrs.*	5–9 yrs.
Average Monthly Benefit	$442	$481
Annual Benefits	$333,960	$525,662
Number of retired members	63	91

**Includes 16 members who did not have service reported.

2008 Service	0–4 yrs.*	5–9 yrs.
Average Monthly Benefit	$438	$480
Annual Benefits	$331,421	$512,554
Number of retired members	63	89

**Includes 17 members who did not have service reported.

2007 Service	0–4 yrs.	5–9 yrs.
Total Retirees	51 **	77
Annual Benefits	$257,860	$402,482
Avg. Monthly Benefit	$421	$436

**Includes 11 members who did not have service reported.

GROUP I — TEACHERS

2009 Service	0–4 yrs.*	5–9 yrs.
Average Monthly Benefit	$330	$376
Annual Benefits	$27,729	$4,507
Number of retired members	7	1

**Includes 7 members who did not have service reported.

2008 Service	0–4 yrs.	5–9 yrs.
Average Monthly Benefit	$336	$376
Annual Benefits	$28,218	$4,507
Number of retired members	7	1

**Includes 7 members who did not have service reported.

2007 Service	0–4 yrs.	5–9 yrs.
Total Retirees	8 **	1
Annual Benefits	$28,759	$4,173
Avg. Monthly Benefit	$300	$348

**Includes 8 members who did not have service reported.

*Data prior to fiscal year 2007 is not available. Data for future fiscal years will be added prospectively.

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2009

10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$485	$469	$548	$556	$532	$533
$1,060,239	$1,013,207	$7,655,729	$3,773,959	$1,367,171	$15,729,927
182	180	1,165	566	214	2,461

2008

10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$493	$471	$551	$559	$527	$535
$1,047,356	$982,995	$7,565,509	$3,682,116	$1,283,509	$15,405,460
177	174	1,145	549	203	2,400

2007

10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
175	181	1,080	549	170	27
$1,012,913	$998,782	$6,377,170	$3,437,412	$1,020,156	$135,639
$482	$460	$492	$522	$500	$419

2009

10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$566	$474	$436	$448	$526	$488
$20,382	$11,368	$5,012,288	$4,890,068	$14,497,402	$24,463,744
3	2	959	909	2,298	4,179

2008

10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$484	$474	$420	$438	$513	$474
$23,224	$11,368	$4,291,716	$4,272,710	$12,376,720	$21,008,154
4	2	851	813	2,012	3,690

2007

10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
5	2	754	737	1,112	60
$24,135	$10,526	$3,465,731	$3,611,050	$6,355,084	$3,399,39
$402	$439	$383	$408	$476	$47

SCHEDULES OF AVERAGE BENEFIT PAYMENT AMOUNTS — OPEB PLANS*

GROUP I — POLITICAL SUBDIVISION EMPLOYEES

2009 Service	0–4 yrs.*	5–9 yrs.
Average Monthly Benefit	$364	$350
Annual Benefits	$65,541	$46,198
Number of retired members	15	11

**Includes 7 members who did not have service reported.

2008 Service	0–4 yrs.*	5–9 yrs.
Average Monthly Benefit	$327	$373
Annual Benefits	$62,810	$49,275
Number of retired members	16	11

**Includes 9 members who did not have service reported.

2007 Service	0–4 yrs.	5–9 yrs.
Total Retirees	13 **	10
Annual Benefits	$48,722	$39,286
Avg. Monthly Benefit	$312	$327

**Includes 10 members who did not have service reported.

GROUP I — STATE EMPLOYEES

2009 Service	0–4 yrs.*	5–9 yrs.
Average Monthly Benefit	$410	$497
Annual Benefits	$842,110	$411,185
Number of retired members	171	69

**Includes 86 members who did not have service reported.

2008 Service	0–4 yrs.	5–9 yrs.
Average Monthly Benefit	$405	$499
Annual Benefits	$889,207	$419,431
Number of retired members	183	70

**Includes 99 members who did not have service reported.

2007 Service	0–4 yrs.	5–9 yrs.
Total Retirees	187 **	76
Annual Benefits	$838,008	$455,030
Avg. Monthly Benefit	$373	$499

**Includes 115 members who did not have service reported.

*Data prior to fiscal year 2007 is not available. Data for future fiscal years will be added prospectively.

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			2009		
10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$447	$390	$428	$417	$505	$444
$75,081	$18,717	$3,179,812	$1,515,015	$2,029,561	$6,929,925
14	4	619	303	335	1,301

			2008		
10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$472	$390	$423	$416	$512	$443
$73,661	$18,717	$2,789,673	$1,334,025	$1,879,964	$6,208,125
13	4	550	267	306	1,167

			2007		
10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
15	5	442	243	171	72
$83,195	$21,504	$2,100,042	$1,094,540	$981,376	$361,014
$462	$358	$396	$375	$478	$418

			2009		
10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$436	$406	$384	$384	$420	$406
$497,284	$214,419	$2,678,358	$1,952,886	$4,460,274	$11,056,516
95	44	581	424	884	2,268

			2008		
10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$437	$414	$392	$399	$427	$413
$509,140	$223,432	$2,815,199	$2,051,632	$4,628,374	$11,536,415
97	45	599	429	904	2,327

			2007		
10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
93	54	570	437	536	306
$456,490	$274,872	$2,281,923	$1,965,753	$2,696,756	$1,500,281
$409	$424	$334	$375	$419	$409

Principal Participating Employers

PRINCIPAL PARTICIPATING EMPLOYERS — PENSION PLAN CURRENT YEAR AND NINE YEARS AGO

	As Of June 30, 2009			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	12,130	1	23.77%	11,768	1	23.33%
Manchester School District	1,407	2	2.75%	1,396	2	2.77%
SAU 42 (Nashua School District)	1,341	3	2.63%	1,313	3	2.60%
Timberlane School District	672	4	1.32%	645	4	1.28%
Merrimack School District	658	5	1.29%	481	9	0.95%
Concord School District	616	6	1.21%	623	5	1.24%
Londonderry School District	615	7	1.20%	593	7	1.18%
City of Nashua	604	8	1.18%	603	6	1.20%
SAU 54 (Rochester School District)	592	9	1.16%	588	8	1.17%
Merrimack County	591	10	1.16%	479	10	0.95%
All Other*	31,806		62.33%	31,931		63.33%
Total (475 Governments)	**51,032**		**100.00%**	**50,420**		**100.00%**

*As of June 30, 2009, “All Other” consisted of:

Type	Number	Employees
State Government	4	113
City Governments	12	2,584
Town Governments & Related Entities	243	5,486
County Governments & Related Entities	11	2,723
School Districts & School Administrative Units	195	20,900
Total	**465**	**31,806**

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

A full list of participating employers as of June 30, 2009 begins on the page 119.

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

	As Of June 30, 2009			As Of June 30, 2008**		
Participating Government	# of Covered Employees	Rank	Percentage of Total OPEB Plan	# of Covered Employees	Rank	Percentage of Total OPEB Plan
State of New Hampshire	581	1	23.61%	620	1	25.83%
City of Manchester	305	2	12.40%	310	2	12.92%
City of Nashua	223	3	9.06%	221	3	9.21%
City of Concord	119	4	4.84%	118	4	4.92%
Town of Salem	97	5	3.94%	98	5	4.08%
City of Portsmouth	83	6	3.37%	80	6	3.33%
City of Dover	62	7	2.52%	61	7	2.54%
City of Keene	53	8	2.15%	50	8	2.08%
Town of Derry	53	8	2.15%	48	9	2.00%
Town of Hampton	48	9	1.95%	48	9	2.00%
All Other*	837		34.01%	746		31.09%
Total (135 Governments)	**2,461**		**100.00%**	**2,400**		**100.00%**

*As of June 30, 2009, "All Other" consisted of:

Type	Number	Employees
City Governments	7	212
Town Governments & Related Entities	108	539
County Governments & Related Entities	10	86
Total	**125**	**837**

**Data for nine years ago is not available due to changes in accounting systems. Data for June 30, 2008 will be reported prospectively until such time as data is available for nine years ago.

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PRINCIPAL PARTICIPATING EMPLOYERS — GROUP I TEACHERS
CURRENT YEAR AND NINE YEARS AGO

	As Of June 30, 2009			As Of June 30, 2008**		
Participating Government	# of Covered Employees	Rank	Percentage of Total OPEB Plan	# of Covered Employees	Rank	Percentage of Total OPEB Plan
Manchester School District	496	1	11.87%	464	1	12.57%
SAU 42 (Nashua School District)	344	2	8.23%	304	2	8.24%
Concord School District	191	3	4.57%	181	3	4.91%
Keene School District	158	4	3.78%	147	4	3.98%
Portsmouth School District	145	5	3.47%	142	5	3.85%
Salem School District	105	6	2.51%	90	6	2.44%
Dover School District	95	7	2.27%	85	7	2.30%
SAU 54 (Rochester School District)	86	8	2.06%	73	9	1.98%
Merrimack School District	86	8	2.06%	—	—	—
Laconia School District	84	9	2.01%	79	8	2.14%
All Other*	2,389		57.17%	2,125		57.59%
Total (169 Governments)	**4,179**		**100.00%**	**3,690**		**100.00%**

*As of June 30, 2009, "All Other" consisted of:

Type	Number	Employees
School Districts & School Administrative Units	159	2,389
Total	**159**	**2,389**

**Data for nine years ago is not available due to changes in accounting systems. Data for June 30, 2008 will be reported prospectively until such time as data is available for nine years ago.

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PRINCIPAL PARTICIPATING EMPLOYERS — GROUP I POLITICAL SUBDIVISION EMPLOYEES CURRENT YEAR AND NINE YEARS AGO

	As Of June 30, 2009			As Of June 30, 2008**		
Participating Government	# of Covered Employees	Rank	Percentage of Total OPEB Plan	# of Covered Employees	Rank	Percentage of Total OPEB Plan
City of Concord	73	1	5.61%	71	1	6.08%
Hillsborough County	47	2	3.61%	36	3	3.08%
City of Nashua	42	3	3.22%	37	2	3.17%
Rockingham County	33	4	2.54%	28	4	2.40%
Merrimack County	32	5	2.46%	27	5	2.31%
Concord School District	32	5	2.46%	27	5	2.31%
City of Berlin	29	6	2.23%	28	4	2.40%
City of Portsmouth	27	7	2.08%	26	6	2.23%
City of Keene	27	7	2.08%	27	5	2.31%
Grafton County	27	7	2.08%	26	6	2.23%
All Other*	932		71.63%	834		71.48%
Total (204 Governments)	**1,301**		**100.00%**	**1,167**		**100.00%**

*As of June 30, 2009, "All Other" consisted of:

Type	Number	Employees
City Governments	10	101
Town Governments & Related Entities	60	221
County Governments & Related Entities	8	60
School Districts & School Administrative Units	119	550
Total	**197**	**932**

**Data for nine years ago is not available due to changes in accounting systems. Data for June 30, 2008 will be reported prospectively until such time as data is available for nine years ago.

PRINCIPAL PARTICIPATING EMPLOYERS — GROUP I STATE EMPLOYEES
CURRENT YEAR AND NINE YEARS AGO

	As Of June 30, 2009			As Of June 30, 2008**		
Participating Government	# of Covered Employees	Rank	Percentage of Total OPEB Plan	# of Covered Employees	Rank	Percentage of Total OPEB Plan
State of New Hampshire	2,261	1	99.69%	2,320	1	99.70%
New Hampshire Retirement System	7	2	0.31%	7	2	0.30%
Total (5 Governments)	**2,268**		**100.00%**	**2,327**		**100.00%**

**Data for nine years ago is not available due to changes in accounting systems. Data for June 30, 2008 will be reported prospectively until such time as data is available for nine years ago.

Listing of Participating Employers

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Allenstown Sewer Commission E

Alstead P

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Amherst P, F

Andover P

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