NHRS

New Hampshire Retirement System

A Component Unit Of The State Of New Hampshire

Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2012

NHRS

New Hampshire Retirement System

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NEW HAMPSHIRE RETIREMENT SYSTEM

Introductory Section

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Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2012

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 11, 2012

To the Members and Beneficiaries of the New Hampshire Retirement System:

On behalf of the Board of Trustees of the New Hampshire Retirement System (NHRS, the retirement system), I am pleased to present NHRS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This report describes the financial conditions of both the Pension Plan and the Other Post Employment Benefit (OPEB) Plans. It also describes various changes that occurred during Fiscal Year 2012, as well as some of the challenges that lie ahead.

Dr. Lisa K. Shapiro
Chair
Board of Trustees

Amidst a difficult and volatile investment environment, NHRS recorded a 0.9% total return, net-of-fees, for the twelve months ended June 30, 2012, trailing the NHRS custom benchmark of 1.7%. The benchmark is comprised of major market indices weighted in proportion to the retirement system's asset allocation. The investment program's positive return was primarily driven by the performance of the domestic equity (+2.0%) and fixed income (+7.6%) portfolios. These results were offset by weak performance in non-US stocks. NHRS assets were $5.77 billion at June 30, 2012, down from $5.89 billion one year earlier.

The last twelve months were particularly difficult for "active" investment strategies as market moves did not correlate with underlying business fundamentals. This led to superior results for index type investments, but most active managers underperformed. The S&P 500 performed at the 22nd percentile for the twelve months ending June 30, 2012. In other words, for that one-year period, a passive index outperformed 78% of active managers.

It is important to note that these investment returns are for a single year, and need to be considered within the context of the portfolio's performance over time. The investment program is designed to provide income for both current and future beneficiaries, and investment returns provide a substantial portion of the funds for paying those benefits. The assumed rate of return for the NHRS investment program is set at 7.75%. NHRS' total fund annualized investment return was 11.9% over the last three-year period, 6.0% over the last ten year period and 7.8% over the last 20-year period.

Factors such as the U.S. debt ceiling showdown in the summer of 2011, ongoing concerns over sovereign debt in the European Union, and political upheaval in the Middle East resulted in heightened investor uncertainty and significantly increased market volatility throughout the year. The three months ended September 30, 2011, marked the worst quarter of the fiscal year as domestic and international equity indices experienced double-digit losses, which were also reflected in the NHRS total fund return. While equity markets rallied during the middle of the fiscal year in response to quantitative easing by the Federal Reserve and hopeful news from the Eurozone regarding reform proposals, cumulative pessimism and the still-weak global economy contributed to negative returns in the domestic and international equity indices in the quarter ended June 30, 2012.

Going forward, continued global political unrest, a sluggish economic recovery, uncertainty over U.S. tax policy, possible gridlock over the US debt ceiling and the looming threat of a "fiscal cliff" at the end of this year are all contributing factors leading to instability in the financial markets.

NHRS maintains a long-term investment horizon. The Board and the Independent Investment Committee (IIC) continuously work with consultants and staff to review and change, as appropriate, asset allocation, specific investments, strategies, and policies. In September 2012, the Board adopted a revised asset allocation for the retirement system trust fund that decreases the target allocation for fixed income investments from 30% of the portfolio to 25% and increases the target allocation for alternative investments from 10% to 15%. The decision came after a unanimous recommendation by the Independent Investment Committee, which conducted a rigorous, detailed asset allocation review that commenced in January. One of the primary considerations underlying the IIC's recommendation is the 30-year secular decline in interest rates – currently at record lows – which led to the conclusion that fixed income returns in the future are likely to be significantly lower than recent returns and also below the historical average.

In addition to the information on investments contained in this report, more detailed information on the economic and market climate and on NHRS-specific investment activities is provided in the Comprehensive Annual Investment Report for Fiscal Year 2012, issued separately by the Independent Investment Committee.

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The funded ratio of the NHRS Pension and OPEB plans decreased in Fiscal Year 2012. Funding status is measured by comparing the net assets available for benefits to the cost of benefits owed now and in the future. At the close of the Fiscal Year, the funded ratio of the Pension Plan stood at 56.1% and the OPEB Plans at 3.2%, versus 57.4% and 4.3% in the previous year, respectively.

The reduction in the funded ratio was primarily attributable to the impact of investment performance. A five-year smoothing of investment returns is used in calculating the funded ratio. Thus, two recent years in which the retirement system experienced losses (fiscal years 2008 and 2009) are still included in the smoothing calculation. The significant gains of fiscal years 2010 and 2011, likewise, are being averaged out over the next three to four years. The five-year smoothing methodology serves to dampen the volatility of the employer contribution rates that would inevitably result from year-to-year market fluctuations. As a result, the funded ratio is also expected to decline in 2013.

To be considered healthy, the consensus view is that a public employee retirement plan should have a funded ratio of at least 80%. The overall poor funding status of NHRS is a result of combination of factors, including diminishing investment returns over the last decade and policy decisions over the last 25 years made by past Boards and past Legislatures regarding actuarial methods and assumptions, setting of the assumed rate of return, and the diversion of investment gains to fund other benefits.

The 2012 legislative session resulted in minor revisions to RSA 100-A, the statute governing the retirement system. These changes did not materially impact the retirement system funded ratio. (Detailed information regarding legislative changes can be found on Note 5 of this report, which begins on Page 41.) However, the sum of changes made over the past six years, including actuarially sound employer rates designed to recoup the retirement system's unfunded accrued actuarial liability (UAAL) over a closed, 30-year period, and substantial reductions to the benefit provisions for non-vested and future members, have put NHRS on a path to financial health.

While the legislative and policy changes made in recent years were comprehensive and far-reaching, their impact on the funded ratio will be felt gradually in the short term and will grow more significant over time. The 2011 NHRS Actuarial Valuation projects a funded ratio for NHRS of 63.7% in 2015 and 70.5% in 2019. Based on current actuarial assumptions and funding policies, the plan is projected to be fully funded in 2039.

It should be pointed out that several of the legislative changes, including some going back to the 2008 legislative session, are being challenged in court. To the extent that legislative enactments are unwound, there could be an impact on projected savings which have been attributed to those provisions. In addition, more fundamental changes to the retirement system are being considered by policymakers. A NH House committee has recommended that new state employees should participate in a defined contribution instead of the current defined benefit plan. It is important to note, however, that creating a new benefit plan, or closing or modifying the current defined benefit plan, will not eliminate the employers constitutional obligation to pay off the NHRS unfunded liability. As it has in previous sessions, NHRS will continue work with all stakeholders and bring its expertise to the analysis of these proposals consistent with its fiduciary duties to the plan members.

Four new members joined the Board of Trustees in 2012, Karen McDonough, Guy Scaife, George Walker and David McCrillis. The Board thanks departing board members Keith Hickey, Brian Morrissey, Danny O'Brien, and Tara Reardon for their service. In February, NHRS also hired a new executive director, George Lagos, who brings more than three decades experience in the financial services industry to the retirement system.

Through a number of recent managerial initiatives, NHRS has strengthened its operations, performance, and member services. We are pleased with the significant progress which has been made toward implementing the necessary changes to support the sustainability and stability of NHRS and the Board and staff are committed to meeting these challenges head-on for the benefit of its members and beneficiaries.

Sincerely,

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

54 Regional Drive, Concord, New Hampshire 03301-8507 • Telephone (603) 410-3500 • Toll Free 1-877-600-0158
TDD Access: Relay NH 1-800-735-2964 • Office Hours 8:00 AM–4:00PM ~ www.nhrs.org

Board Of Trustees

Dr. Lisa K. Shapiro
Chair
Public Member
February 2008 to July 2013

J. David McRillis
Public Member
August 2012 to July 2014

Richard A. Gustafson, PhD
Public Member
August 2011 to August 2013

Hershel D. Sosnoff
Public Member
November 2011 to November 2013

Donald M. Roy, Jr.
Employer Member
July 2011 to July 2013

John T. Beardmore
Employer Member
December 2012 to July 2013

John G. Wozmak
Employer Member
July 2011 to July 2013

Guy Scaife
Employer Member
July 2012 to September 2013

Kate McGovern, PhD
Employee Member
February 2011 to July 2014

Karen McDonough
Teacher Member
December 2011 to July 2012

George A. Walker
Firefighter Member
July 2012 to July 2014

Dean Crombie
Police Officer Member
April 2003 to July 2014

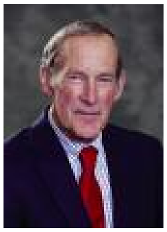
Catherine Provencher
State Treasurer
January 2007 ex officio

NHRS BOARD OF TRUSTEES

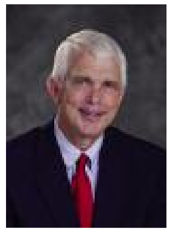
Seated left to right: Donald M. Roy Jr., Dr. Lisa K. Shapiro, State Treasurer Catherine Provencher, Karen McDonough. Standing left to right: Hershel D. Sosnoff, George A. Walker, Richard A. Gustafson, PhD, J. David McRiillis, Kate McGovern, PhD, John G. Wozmak and Guy Scaife. Absent when photo was taken: Dean Crombie. Not yet appointed when photo was taken: John Beardmore.

Independent Investment Committee

INDEPENDENT MEMBERS



Senator Harold Janeway, Chair
January 2009–November 2010
December 2010–Present

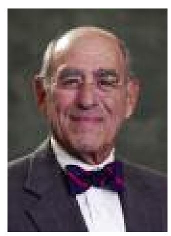


David A. Jensen
January 2009–December 2010
December 2011–Present

Patrick O'Donnell
May 2009–December 2010
July 2011–Present

TRUSTEE MEMBERS

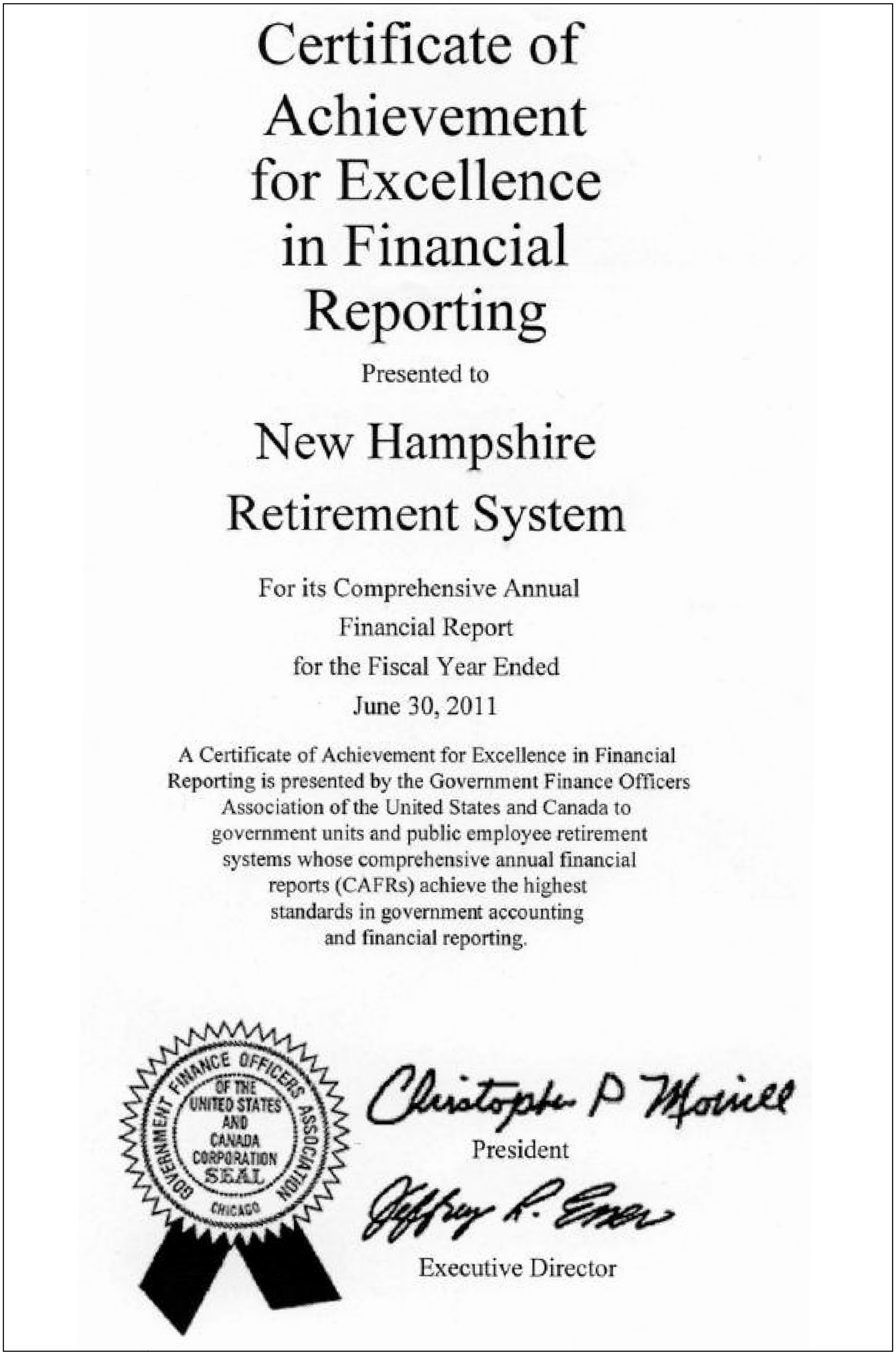
Catherine Provencher
State Treasurer
January 2011–Present



Hershel Sosnoff
January 2012–Present

Lawrence A. Johansen
Director of Investments

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, 2011

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.

Christopher P Morrill

President

Jeffrey R. Emer

Executive Director

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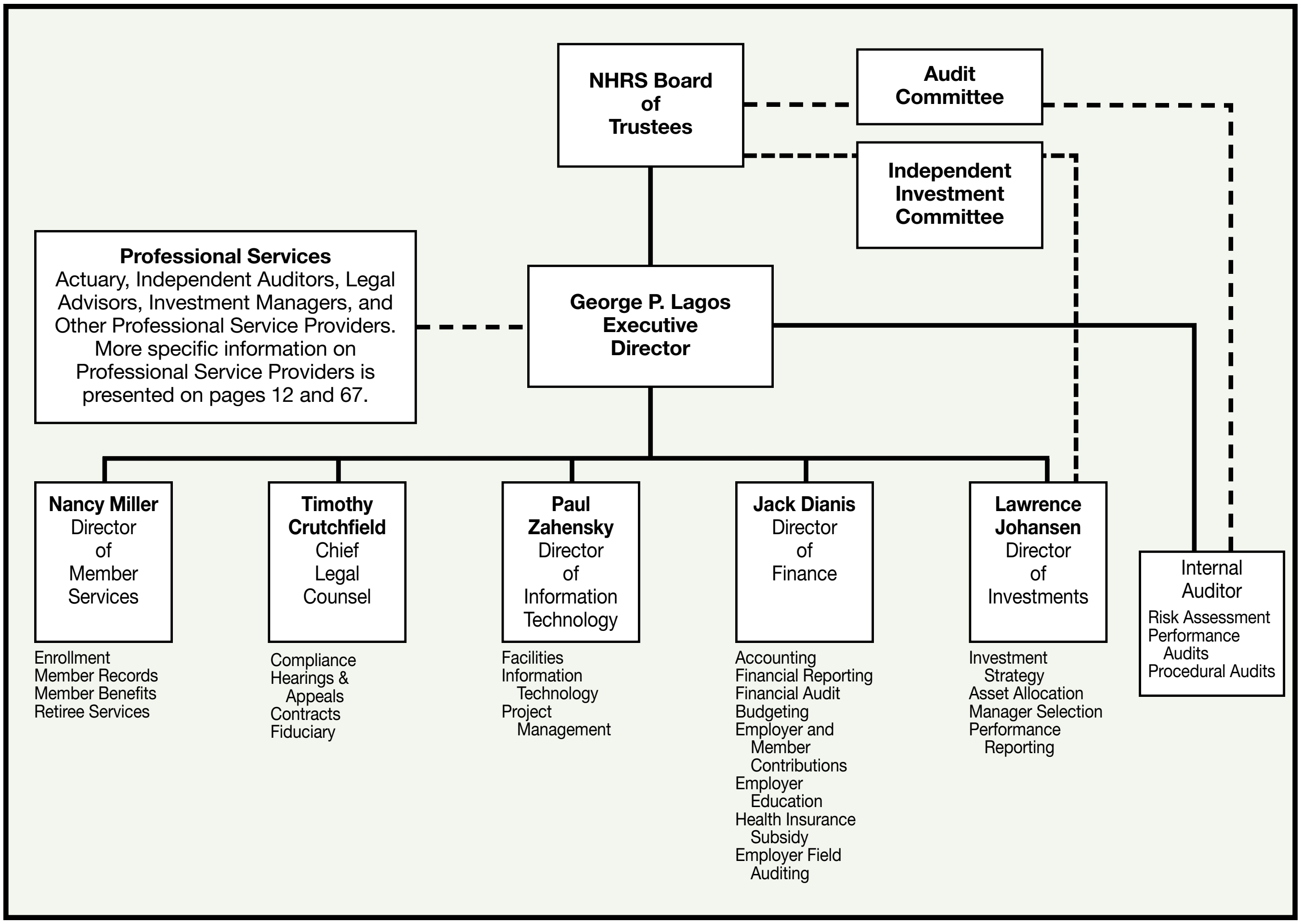
Administrative Organization



NHRS MANAGEMENT TEAM

Seated left to right: Nina Calkins, Tamre McCrea, Heather Fritzky, Timothy J. Crutchfield. Standing left to right: Kathy Denutte, Nancy Miller, Cecile Merrill, Tracey Horner, Marty Karlon, George P. Lagos, Lawrence A. Johansen, John Browne, Shannan Hudgins, Rosamond Cain, Christine Stoddard and Denise Call. Absent when photo was taken: Jack Dianis and Paul Zahensky.

Professional Managers, Advisors and Service Providers

DOMESTIC EQUITY MANAGERS
AllianceBernstein L.P.
Blackrock Institutional Trust Company, N.A.
Boston Trust & Investment Management Company
C.S. McKee L.P.
Institutional Capital LLC
LSV Asset Management
Netols Asset Management
Segall, Bryant and Hamill
Thompson, Siegel & Walmsley, LLC
Wellington Management Company, LLP

NON-U.S. EQUITY MANAGERS
Aberdeen Asset Management Inc.
Batterymarch Financial Management, Inc.
Fisher Investments
Grantham, Mayo, Van Otterloo & Co., LLC
Thornburg Investment Management, Inc.
Walter Scott & Partners Limited
Wellington Trust Company, N.A.

FIXED INCOME MANAGERS
Brandywine Asset Management, Inc.
Income Research & Management, Inc.
Loomis Sayles & Company, L.P.
Northern Trust Investments, N.A.
Pacific Investment Management Company (PIMCO)

PRIVATE EQUITY MANAGERS
APA Excelsior IV & V, L.P.
APAX Excelsior VI, L.P.
Avenue Special Situations Fund VI(A), L.P.
Castle Harlan Australian Mezzanine Partners, L.P.
Castle Harlan Partners III, L.P.
Coral Partners IV, L.P.
Edgewater Growth Capital Partners III, L.P.
Euclid SR Partners, L.P.
Industry Ventures Fund VI, L.P.
Lexington Capital Partners VII, L.P.
MatlinPatterson Global Opportunities II, L.P.
RFE Investment Partners VI & VIII, L.P.
Richland Ventures II, L.P.
Siguler Guff Distressed Opportunities Fund IV(T), L.P.
SL Capital Partners European Smaller Funds I, L.P.
Sprout VII & VIII, L.P.
Tennenbaum Opportunities, Fund VI, L.L.C.
The Venture Capital Fund of New England III, L.P.
VSS Communications Partners IV, L.P.

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REAL ESTATE MANAGERS
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LaSalle Investment Management
The Townsend Group

INDEPENDENT AUDITORS
KPMG LLP

INVESTMENT ADVISOR
NEPC, LLC

ACTUARIAL CONSULTANT
Gabriel, Roeder, Smith & Company

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

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

CORPORATE GOVERNANCE SERVICES
Institutional Shareholder Services, Inc.

TRADING COST ADVISOR
Abel/Noser Corporation

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Letter Of Transmittal

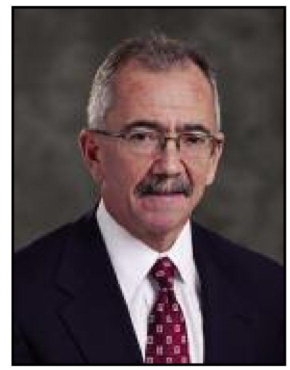
NHRS
New Hampshire Retirement System

December 7, 2012

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, 2012. This comprehensive report is designed to comply with the provisions of the Revised Statutes Annotated (RSA) 100-A:15, VI of the State of New Hampshire.

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



George P. Lagos
Executive Director

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 retirement, 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 2012 was proposed by management, approved by the Board of Trustees, submitted under the budget preparation guidelines of the State of New Hampshire, and passed into law by the New Hampshire Legislature. For financial reporting purposes, NHRS is considered a component unit of the State of New Hampshire.

NHRS is administered by a 13-member board of trustees, which includes the State Treasurer as an ex-officio member, one employee member, one teacher member, one firefighter member, one police officer member, four public non-members, and four employer representatives. The Board of Trustees sets the investment policy, formulates administrative policies, and authorizes benefit payments to members and their beneficiaries. The NHRS Independent Investment Committee is responsible for investing in accordance with policies established by the Board; selecting investment managers, agents, and custodial banks; reviewing performance; and making recommendations to the Board regarding investment consultants, asset allocation, and other investment policy matters. Administrative functions are directed by the Executive Director and are carried out by the administrative staff.

ACCOUNTING SYSTEM AND INTERNAL CONTROL

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

The management at 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 reports and financial statements are fairly stated. There is not an expectation from management that the internal controls will prevent or detect all errors and fraud. A control system, no matter how well designed and operated, can provide reasonable assurance, not absolute, assurance that the objectives of the control system are met. We believe the existing internal accounting controls accomplish these objectives.

FINANCIAL PERFORMANCE

For the fiscal year ended June 30, 2012, Plan Net Assets decreased $116.8 million to $5,774.3 million compared to a $992.8 million net asset increase for the prior year. Economic uncertainties continue and the retirement system still has significant financial challenges ahead of it. A detailed discussion of investment performance, the sources of additions and 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 Plans' liabilities as an indication of the extent to which the Plans are funded each year. This measure is called the plan funded ratio. Significant legislation was enacted in the 2011 legislative session aimed at improving the funded ratios of the Plans.

The Pension Plan funded ratio at June 30, 2012, based on the June 30, 2012, interim actuarial valuation was 56.1%. The comparable funded ratio at June 30, 2011, based on the June 30, 2011, actuarial valuation was 57.4%. The funded ratio dropped slightly from the prior year primarily due to changes in economic assumptions that were adopted at the completion of the five-year experience study, lower than expected growth in wages, and the use of a five-year smoothing of investment returns. While the smoothing of investment returns helps to reduce the volatility in the rates that the retirement system charges employers year to year, it also means that the full effect of recent investment losses will not be recognized completely for several more years.

The funded ratios of the four OPEB Plans as of June 30, 2012, and June 30, 2011, are as follows:

		June 30 2012	**June 30 2011**
Group II	Police Officers and Firefighters OPEB Plan	2.6%	2.9%
Group I	Teachers OPEB Plan	(3.6%)	(2.3%)
Group I	Political Subdivision Employees OPEB Plan	34.8%	37.2%
Group I	State Employees OPEB Plan	(1.0%)	0.5%

A comprehensive analysis of funding progress for the Plans is provided in the Required Supplementary Information beginning on page 47.

INVESTMENTS

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

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

The annualized total fund investment returns for the one-year, three-year, five-year, ten-year, and twenty-year periods ended June 30, 2012, were 0.9%, 11.9%, 1.8%, 6.0%, and 7.8%, respectively. A discussion about comparative annualized returns, and related benchmark indices, for fiscal years 2012 and 2011 is pre-sented in the Management's Discussion and Analysis beginning on page 19.

MAJOR INITIATIVES

NHRS faces many of the same issues common to public employee retirement plans. As part of its proactive response to these challenges, the retirement system strives to create a culture of constant improvement.

Some of the major initiatives accomplished during fiscal year 2012 were:

- Hired a new Executive Director with significant financial services experience.
- Hired a Director of IT with significant application, infrastructure and financial services experience.
- Developed and adopted a three-year strategic plan and specific action plans for each operating unit.

- Increased and enhanced member education opportunities by creating online presentations specifically geared to individual benefit tiers.
- Implemented extensive pension database modifications in response to far-reaching legislative changes enacted in 2011.
- Reviewed, revised and adopted core NHRS policies and procedures across all areas of operation.
- Upgraded general ledger software and added an accounts payable module in the Finance operation to improve the trust accounting process.
- Conducted an Asset Liability Modeling Study which resulted in allocation policy recommendations adopted by the Board of Trustees in September 2012.
- Developed Asset Class Guidelines for Domestic Equity, Non-U.S. Equity, Fixed Income, Real Estate, and Alternative Investments.
- Conducted a request for proposal (RFP) process which resulted in the Board unanimously approving the retention of NEPC, LLC to provide comprehensive investment consulting services to the System.

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 2012, the Audit Committee designated KPMG LLP to conduct the annual audit. The independent auditors' report, audited financial statements, required supplementary information, and supporting schedules are included in the Financial Section of this report.

ACTUARIAL REVIEW AND VALUATION

An actuarial review, commonly called an experience study, of the mortality, service, withdrawals, and compensation experience of members is required by statute at least once during each five-year period. The last actuarial review was performed during fiscal year 2011 by NHRS current actuary, Gabriel, Roeder, Smith and Company and was based on the information available as of June 30, 2010. An actuarial valuation of the assets and liabilities is required by statute at least once during each two-year period. The most recent actuarial valuation was performed as of June 30, 2011, by Gabriel, Roeder, Smith and Company. The June 30, 2011, actuarial valuation was used to determine employer contribution rates for fiscal years 2014 and 2015. An interim valuation as of June 30, 2012, has been completed for the purpose of determining the actuarial information included in this report and to inform policy making bodies during the coming year. The actuarial certification and supporting statistics are included in the Actuarial and Statistical Sections of this report.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The NHRS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition in the area of state and local governmental accounting and financial reporting, and attaining it represents a significant accomplishment by a government and its management. A copy of the fiscal year 2011 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,

George P. Lagos
Executive Director

Jack W. Dianis
Director of Finance

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NEW HAMPSHIRE RETIREMENT SYSTEM

Financial Section

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Independent Auditors' Report

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Telephone +1 617 988 1000
Fax +1 617 507 8321
Internet www.us.kpmg.com

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, 2012, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's fiscal 2011 financial statements and, in our report dated December 12, 2011, 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, 2012, and the changes therein for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 19 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. These supporting schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory, investment, actuarial and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

December 7, 2012

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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, 2012 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, 2012 with summarized comparable totals for fiscal year 2011. The excess of assets over liabilities is reported as "Net Assets Held in Trust for Benefits."

FINANCIAL HIGHLIGHTS

Net assets decreased by $116.8 million (–2.0%) from the prior year's net asset balance reflecting the continuing volatility in the financial market.

Net investment income inclusive of realized and unrealized gains and losses during fiscal year 2012 was $32.8 million, a $1,098.9 million (–97.1%) decrease over the prior fiscal year. The net investment income for fiscal year 2012 reflects a time-weighted return for the total fund during the year of 0.9% compared to a time-weighted investment return of 23.0% for the fiscal year ended June 30, 2011.

The total contributions received during the fiscal year were $503.1 million. For fiscal year 2011, total contributions received were $459.9 million.

Employer contributions for fiscal year 2012 decreased to $303.5 million (–1.3%) compared with employer contributions in fiscal year 2011 of $307.5 million. The decrease in employer contributions in fiscal year 2012 was primarily due to the recertification of employer rates in August 2011.

Member contributions were $199.6 million in fiscal year 2012, an increase of 31.0% over fiscal year 2011 member contributions of $152.4 million. The increase in member contributions is primarily due to higher contribution rates in FY 2012. Overall member normal contributions increased by 37.1% over the prior fiscal year. Voluntary member contributions decreased by $4.9 million (–41.4%) over fiscal year 2011.

Benefits paid during fiscal year 2012 were $605.6 million, an increase of 4.4% over the benefits paid in fiscal year 2011 of $579.8 million. The increase in benefits paid in fiscal year 2012 is primarily due to an increase in the number of retirees and increased average benefit levels for those new retirees.

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, 2012 and June 30, 2011.

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

	As Of June 30, 2012	As Of June 30, 2011	Amount Increase (Decrease)	Percentage Increase (Decrease)
Cash	$ 6.9	$ 3.8	$ 3.1	81.6%
Receivables	246.0	309.8	(63.8)	(20.6%)
Investments	5,702.3	5,853.3	(151.0)	(2.6%)
Other Assets	0.7	0.2	0.5	250.0%
Total Assets	**$5,955.9**	**$6,167.1**	**($211.2)**	**(3.4%)**
Liabilities	181.6	276.0	(94.4)	(34.2%)
Total Liabilities	**$ 181.6**	**$ 276.0**	**($ 94.4)**	**(34.2%)**
Net Assets Held in Trust for Benefits	**$5,774.3**	**$5,891.1**	**($116.8)**	**(2.0%)**

Total assets decreased by $211.2 million (–3.4%) in fiscal year 2012. Cash on hand at fiscal year end was $3.1 million (81.6%) higher than at fiscal year end 2011 reflecting lower draw downs of liquidity reserves necessary to meet operating obligations. Receivables decreased by $63.8 million (–20.6%) over the prior fiscal year primarily due to a decrease in the pending sale of securities at fiscal year end. Investments decreased by $151.0 million (–2.6%) in fiscal year 2012. The decrease in investments is directly attribut-

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able to continuing weakness in the global economy. Other assets increased by $0.5 million (250.0%) for fiscal year 2012 primarily due to the capitalization of fixed assets.

Total liabilities decreased by $94.4 million (-34.2%) at the end of fiscal year 2012 primarily due to a decrease in the pending purchase of securities at fiscal year end.

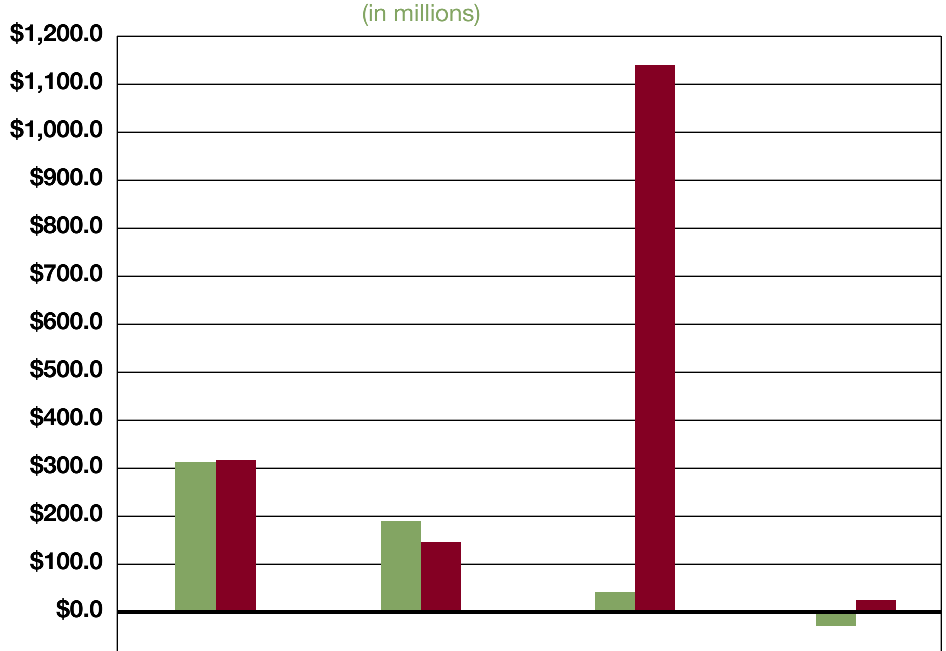
Condensed Comparative Changes in Plan Net Assets — Combined Plans
(Dollar Values Expressed in Millions)

	Year Ended June 30, 2012	Year Ended June 30, 2011	Amount Increase (Decrease)	Percentage Increase (Decrease)
ADDITIONS:				
Employer Contributions	$303.5	$ 307.5	($ 4.0)	(1.3%)
Member Contributions	199.6	152.4	47.2	31.0%
Net Investment Income (Loss)	32.8	1,131.7	(1,098.9)	(97.1%)
Other Income	(12.2)	13.5	(25.7)	(190.4%)
Total Additions to Plan Net Assets	**$523.7**	**$1,605.1**	**($1,081.4)**	**(67.4%)**
DEDUCTIONS:				
Benefits Paid	$605.6	$ 579.8	$ 25.8	4.4%
Refunds of Contributions	26.5	22.8	3.7	16.2%
Administrative Expense	6.2	7.4	(1.2)	(16.2%)
Other Deductions	2.2	2.3	(0.1)	(4.3%)
Total Deductions from Plan Net Assets	**$640.5**	**$ 612.3**	**$ 28.2**	**4.6%**
Total Changes in Plan Net Assets	**($116.8)**	**$ 992.8**	**($1,109.6)**	**(111.8%)**

ADDITIONS TO PLAN NET ASSETS

For fiscal year 2012, the combined total of employer and member contributions increased by $43.2 million (9.4%). Employer contributions decreased from $307.5 million in fiscal year 2011 to $303.5 million

Additions to Plan Net Assets
Comparative Data for FY 2012 and FY 2011
(in millions)



	Employer Contributions	Member Contributions	Net Investment Income	Other Additions
FY 2012	$303.5	$199.6	$ 32.8	($12.2)
FY 2011	$307.5	$152.4	$1,131.7	$13.5

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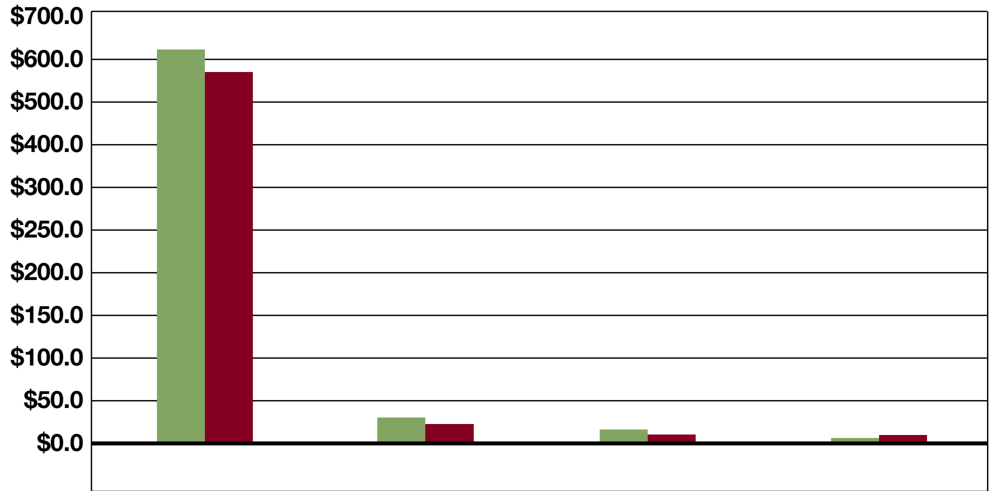
Deductions to Plan Net Assets
Comparative Data for FY 2012 and FY 2011
(in millions)



	Benefits Paid	Refunds	Administrative Expenses	Other Deductions
FY 2012	$605.6	$26.5	$6.2	$2.2
FY 2011	$579.8	$22.8	$7.4	$2.3

(–1.3%) in fiscal year 2012. The decrease in employer contributions is primarily due to lower contribution rates. Member contributions for fiscal year 2012 were $199.6 million, an increase of $47.2 million (31.0%) from fiscal year 2011. Member normal contributions increased $52.1 million (37.1%) in fiscal year 2012 and voluntary member contributions decreased by $4.9 million (–41.4%). The decrease in other income is due to a pending purchase which crossed years in the settlement account.

Over the long term, the Plan's investment portfolio has been a major source for additions to plan net assets. There was a net investment gain in fiscal year 2012 of $32.8 million compared with a net investment gain in fiscal year 2011 of $1,131.7 million. The net change from year-to-year was ($1,098.9) million, a significant decrease from fiscal year 2011 of (–97.1%). The change reflects continuing weakness in the global economy.

DEDUCTIONS TO PLAN NET ASSETS

Total benefits paid in fiscal year 2012 were $605.6 million, an increase of $25.8 million (4.4%) over the fiscal year 2011 level of $579.8 million. Pension benefits paid in fiscal year 2012 were $547.1 million, an increase of $27.1 million (5.2%) compared with the pension benefits paid in fiscal year 2011 of $520.0 million. The increase in pension benefits paid in fiscal year 2012 is primarily due to an increase in the number of retirees and increased average benefit levels for those new retirees. OPEB benefits paid in fiscal year 2012 were $58.6 million which was slightly lower than the benefits that were paid in 2011. The OPEB benefits that will be paid will continue to remain flat or go down, as there is a very small population that can still qualify for this benefit. Refunds of contributions were $26.5 million, an increase of $3.7 million (16.2%) over the 2011 level of $22.8 million. The increase reflects an increase in the number and dollar value of refund requests from terminated members in 2012.

Administrative expenses decreased by $1.2 million (–16.2%) in fiscal year 2012 to a level of $6.2 million compared with $7.4 million in 2011. Administrative expenses decreased primarily due to several positions remaining vacant for FY 2012.

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 2012 and 2011.

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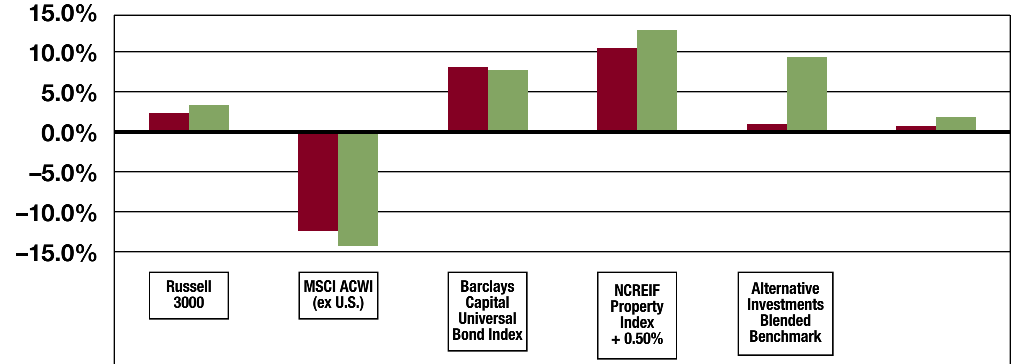
Investment Performance NHRS vs. Selected Indices
FY 2012



	Domestic Equity	Non-U.S. Equity	Fixed Income	Real Estate	Alternative Investments	Total Fund
NHRS*	2.0%	–12.7%	7.6%	10.7%	1.6%	0.9%
Indices	3.8%	–14.6%	7.4%	12.6%	9.8%	1.7%

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

The Pension Plan actuarial accrued liability at June 30, 2012, based on the June 30, 2012 interim actuarial valuation, was $10,361.6 million. The actuarial value of assets available to pay pension benefits at June 30, 2012 was $5,817.9 million, resulting in an unfunded actuarial accrued liability of $4,543.7 million and a funded ratio of 56.1% at June 30, 2012. For fiscal year 2011, the Pension Plan actuarial accrued liability at June 30, 2011, based on the June 30, 2011 actuarial valuation, was $9,998.3 million. The actuarial value of assets available to pay pension benefits at June 30, 2011 was $5,740.5 million resulting in an unfunded actuarial accrued liability of $4,257.7 million and a funded ratio of 57.4%.

The combined OPEB Plans actuarial accrued liability at June 30, 2012, based on the June 30, 2012 interim actuarial valuation, was $752.8 million. The actuarial value of assets available to pay postemployment medical benefits at June 30, 2012 was $24.3 million resulting in an unfunded actuarial accrued liability of $728.4 million and a funded ratio of 3.2% at June 30, 2012. For fiscal year 2011, the OPEB Plans actuarial accrued liability at June 30, 2011, based on the June 30, 2011 actuarial valuation, was $777.6 million. The actuarial value of assets available to pay OPEB benefits at June 30, 2011 was $33.2 million resulting in an unfunded actuarial accrued liability of $744.4 million and a funded ratio of 4.3%.

INVESTMENT PERFORMANCE

NHRS recognizes that it operates in a dynamic economic environment. The challenges of investing the Plans' funds strategically to achieve the actuarial rate of return while controlling risk are greater than ever. As such, NHRS has allocated assets to a broad range of asset classes.

Equity (59.7%), fixed income investments (26.0%), and cash equivalents (2.8%) comprise approximately 88.5% of invested assets at June 30, 2012. The remaining 11.5% of assets are invested in real estate (9.0%) and alternative investments (2.5%), which include private equity, private debt and absolute return strategies. These illiquid assets are expected to earn enhanced returns and manage risk through further diversification.

Investment performance results are measured by the relationship of the Plans' portfolio returns for equity and fixed income investments against widely-accepted market indices. For the fiscal year ended June 30, 2012, the Plans' total fund return was 0.9% compared to 23.0% for the fiscal year ended June 30, 2011. The disparity in year-over-year performance was due to ongoing financial market volatility in reaction to the global debt crisis and speculation over how governments would address these issues.

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The total NHRS fund performance of 0.9% for fiscal year 2012 trailed the total fund custom index (a blended composition of major market indices in proportion to the NHRS' asset allocation), which returned 1.7%, by 80 basis points.

The NHRS portfolio experienced muted returns in fiscal year 2012. Fixed income returned 7.6% and outperformed the Barclays Capital Universal Bond Index benchmark return of 7.4% by 20 basis points. The domestic equity portfolio generated a return of 2.0%, trailing the Russell 3000 Index return of 3.8% by 180 basis points. The non-U.S. equity portfolio returned –12.7% during fiscal year 2012, but exceeded the MSCI ACWI (ex U.S.) benchmark return of –14.6% by 190 basis points. The real estate portfolio gained 10.7% but underperformed the NCREIF Property Index +0.50% benchmark return of 12.6% by 190 basis points. The alternative investment asset class provided a 1.6% return and underperformed the blended benchmark return of 9.8% by 820 basis points. The blended benchmark for this asset class is the S&P 500 +5.0% weighted to the allocation of private equity and private debt and the CPI +5.0% weighted to the allocation of absolute return strategies.

CONTACTING NHRS

The Comprehensive Annual Financial Report is designed to provide a general overview of NHRS investment results and financial condition of the Pension Plan and OPEB Plans for the year ended June 30, 2012. Detailed information regarding NHRS' investments as of June 30, 2012 can be found in the Comprehensive Annual Investment Report which is published by the Independent Investment Committee of the NHRS. Please contact the NHRS office at 603.410.3500 for additional financial information or for questions related to this report, or the Comprehensive Annual Investment Report. Additional information can also be obtained from the NHRS website at www.nhrs.org.

Basic Financial Statements

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

AS OF JUNE 30, 2012 (with summmarized financial information as of June 30, 2011)

	PENSION PLAN 2012	GROUP II POLICE OFFICER & FIREFIGHTER OPEB PLAN 2012
ASSETS:		
Cash	$ 6,848	$ 10
Receivables:		
Due from Employers	37,850	—
Due from State	—	—
Due from Group I State Employee OPEB Plan	—	236
Due from Group I Teacher OPEB Plan	—	2,336
Due from Plan Members	24,404	—
Due from Brokers for Securities Sold	153,256	165
Interest and Dividends	17,761	19
Other	2,159	2
Total Receivables	**235,430**	**2,758**
INVESTMENTS AT FAIR VALUE		
Cash and Cash Equivalents:	161,273	174
Equity Investments:		
Domestic	2,472,755	2,666
Non-U.S.	916,555	988
Fixed Income Investments:		
Domestic	1,179,839	1,272
Non-U.S.	293,240	316
Real Estate	512,589	553
Alternative Investments	142,061	153
TOTAL INVESTMENTS	**5,678,312**	**6,122**
Other Assets	753	1
TOTAL ASSETS	**5,921,343**	**8,891**
LIABILITIES:		
Management Fees and Other Payables	8,007	10
Due to Group I Political Subdivision OPEB Plan	—	—
Due to Group II Police & Fire OPEB Plan	—	—
Due to Brokers for Securities Purchased	163,009	177
TOTAL LIABILITIES	**171,016**	**187**
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER POST EMPLOYMENT BENEFITS (OPEB)	**$5,750,327**	**$ 8,704**

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

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(in thousands)

GROUP I TEACHERS OPEB PLAN 2012	GROUP I POLITICAL SUBDIVISION OPEB PLAN 2012	GROUP I STATE EMPLOYEES OPEB PLAN 2012	TOTAL 2012	TOTAL 2011
$ —	$ 18	$ —	$ 6,876	$ 3,794
—	—	—	37,850	32,371
—	—	—	—	6,995
—	670	—	906	—
—	6,649	—	8,985	—
—	—	—	24,404	16,191
—	482	—	153,903	235,243
—	56	—	17,836	16,555
—	7	—	2,168	2,470
—	**7,864**	**—**	**246,052**	**309,825**
—	508	—	161,955	218,810
—	7,776	—	2,483,197	2,651,424
—	2,882	—	920,425	1,093,024
—	3,710	—	1,184,821	1,198,356
—	922	—	294,478	241,857
—	1,612	—	514,754	326,257
—	447	—	142,661	123,641
—	**17,857**	**—**	**5,702,291**	**5,853,369**
—	2	—	756	176
—	**25,741**	**—**	**5,955,975**	**6,167,164**
—	25	—	8,042	8,048
6,649	—	670	7,319	—
2,336	—	236	2,572	—
—	513	—	163,699	267,937
8,985	**538**	**906**	**181,632**	**275,985**
($ 8,985)	**$25,203**	**($ 906)**	**$ 5,774,343**	**$5,891,179**

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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, 2012 (with summmarized financial information for the year ended June 30, 2011)

	PENSION PLAN 2012	GROUP II POLICE OFFICER & FIREFIGHTER OPEB PLAN 2012
ADDITIONS:		
Contributions (NOTE 6):		
Employers	$ 251,057	$14,683
State Contributions on Behalf of Local Employers	3,500	—
Total Employer Contributions	**254,557**	**14,683**
Plan Members	199,593	—
Total Contributions	**454,150**	**14,683**
Investment Income (Loss)		
From Investment Activities:		
Net Appreciation (Depreciation) in Fair Value of Investments	(98,520)	24
Interest	66,149	(16)
Dividends	73,795	(18)
Net Real Estate Income	12,576	(3)
Alternative Investment Income (Loss)	111	—
Total Income (Loss) from Investment Activities	**54,111**	**(13)**
Less: Investment Expenses:		
Investment Management Fees	18,888	(4)
Custodial Fees	745	—
Investment Advisor Fees	718	—
Investment Administrative Expense	674	—
Total Investment Activity Expenses	**21,025**	**(4)**
Total Net Income (Loss) from Investment Activities	**33,086**	**(9)**
From Securities Lending Activities (NOTE 3):		
Securities Lending Income	—	—
Less: Securities Lending Borrower (Premiums)/Rebates	—	—
Less: Securities Lending Management Fees	—	—
Net Income from Securities Lending Activities	**—**	**—**
Total Net Investment Income (Loss)	**33,086**	**(9)**
Interest Income	—	190
Other	(13,275)	3
TOTAL ADDITIONS	**473,961**	**14,867**
DEDUCTIONS:		
Benefits Paid	547,051	16,231
Refunds of Contributions	26,535	—
Administrative Expense (NOTE 7)	6,261	(2)
Professional Fees	1,162	—
Interest Expense	—	—
Other	50	—
TOTAL DEDUCTIONS	**581,059**	**16,229**
CHANGE IN NET ASSETS	**($ 107,098)**	**($ 1,362)**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)		
Beginning of the Year	$5,857,425	$10,066
End of the Year	$5,750,327	$ 8,704

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

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(in thousands)

GROUP I TEACHERS OPEB PLAN 2012	GROUP I POLITICAL SUBDIVISION OPEB PLAN 2012	GROUP I STATE EMPLOYEES OPEB PLAN 2012	TOTAL 2012	TOTAL 2011
$24,021	$ 1,928	$8,332	$ 300,021	$ 263,214
—	—	—	3,500	44,269
24,021	**1,928**	**8,332**	**303,521**	**307,483**
—	—	—	199,593	152,412
24,021	**1,928**	**8,332**	**503,114**	**459,895**
—	464	327	(97,705)	1,015,401
—	(311)	(220)	65,602	49,670
—	(347)	(245)	73,185	67,296
—	(59)	(42)	12,472	17,328
—	(1)	—	110	(9)
—	**(254)**	**(180)**	**53,664**	**1,149,686**
—	(90)	(63)	18,731	17,186
—	(4)	(2)	739	427
—	(3)	(3)	712	752
—	(3)	(2)	669	—
—	**(100)**	**(70)**	**20,851**	**18,365**
—	**(154)**	**(110)**	**32,813**	**1,131,321**
—	—	—	—	414
—	—	—	—	(2)
—	—	—	—	83
—	**—**	**—**	**—**	**333**
—	**(154)**	**(110)**	**32,813**	**1,131,654**
—	755	—	945	—
—	62	44	(13,166)	13,521
24,021	**2,591**	**8,266**	**523,706**	**1,605,070**
25,856	6,804	9,708	605,650	579,833
—	—	—	26,535	22,830
—	(29)	(21)	6,209	7,379
—	(5)	(4)	1,153	1,438
921	—	24	945	—
—	—	—	50	750
26,777	**6,770**	**9,707**	**640,542**	**612,230**
($ 2,756)	**($ 4,179)**	**($1,441)**	**($ 116,836)**	**$ 992,840**
($ 6,229)	$29,382	535	$5,891,179	$4,898,339
($ 8,985)	$25,203	($ 906)	$5,774,343	$5,891,179

Notes to the Financial Statements

NOTE 1 — NEW HAMPSHIRE RETIREMENT SYSTEM

The New Hampshire Retirement System (NHRS) is a public employee retirement system that administers one cost-sharing multiple-employer pension plan (Pension Plan) and four separate cost-sharing multiple-employer postemployment medical subsidy healthcare plans. Collectively the Pension Plan and the 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 plan's individual 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, 2012, 2011, and 2010, NHRS made its required employer contributions of $377, $411, and $393 thousand, respectively, to the Plans for its employees. NHRS employees contributed $275, $193, and $180 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, 2012 and 2011 are presented below.

EMPLOYERS CONTRIBUTING	2012	2011
State Government	6	6
City Governments	13	13
Town Governments and Related Entities	243	242
County Governments and Related Entities	12	12
School Districts and School Administrative Units	201	201
Total Employers	**475**	**474**

As of June 30, 2012 and 2011, membership data related to the Pension Plan was as follows:

MEMBERSHIP DATA	2012	2011
Retirees and beneficiaries currently receiving benefits	28,454	27,130
Terminated employees entitled to benefits but not yet receiving them	1,372	1,496
Active plan participants	48,625	49,738
Inactive plan participants	7,041	6,272
Total Membership	**85,492**	**84,636**

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. Members commencing service on or after July 1, 2011 qualify for a normal service retirement allowance at age 65 based on years of creditable service and average final salary for the highest five years. Members hired prior to July 1, 2011 with a non-vested status as of January 1, 2012 qualify for a normal service retirement allowance at age 60 based on years of creditable service and average final salary for the highest five years. The yearly pension amount is 1/60 or

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1.667% of average final compensation (AFC), multiplied by years of creditable service. AFC is defined as the average of the three or five 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 re calculated 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 the appropriate graduated reduction based on years of creditable service. Members commencing service on or after July 1, 2011 at age 60 with 30 years of creditable service are entitled to a retirement allowance with the 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 commencing service on or after July 1, 2011 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by ¼ of 1% or age 60.

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

Members are required to contribute a percentage of gross earnings to the Pension Plan as more fully described in Note 6. The percentage rates, established by state statute, are dependent upon member group classification. The deductions are made from member wages and are remitted by the employer to the Pension Plan on a monthly basis. If a member leaves employment prior to retirement or vesting, accumulated member contributions plus earned interest are refunded to the withdrawing member or to the designated beneficiary in the case of death. However, accumulated contributions plus interest of a non-vested, non-contributing member may remain in the Pension Plan and continue to earn interest. The interest credited to the inactive member's accumulated contributions will be 2 percentage points less than the assumed rate of return or the actual rate of return, whichever is less as reported in the preceding fiscal year's comprehensive annual financial report, but will not be less than zero.

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

OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB)

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

The OPEB Plans provide a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. Detailed descriptions of those eligibility requirements can be found in the Actuarial Section beginning on page 70.

Membership of each OPEB plan consisted of the following eligible retirees receiving benefits as of June 30, 2012.

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	2,566	616	1,154	769	27
Group I Teachers	4,441	825	3,041	304	271
Group I Political Subdivision Employees	1,403	223	1,098	55	27
Group I State Employees	2,051	155	1,752	85	59
Total OPEB Membership	**10,461**	**1,819**	**7,045**	**1,213**	**384**

The number of contributing employers for each of the OPEB plans at June 30, 2012 is:

Group II Police Officer & Firefighters	201
Group I Teachers	193
Group I Political Subdivision Employees	411
Group I State Employees	6

Membership of each OPEB plan consisted of the following eligible retirees receiving benefits as of June 30, 2011.

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	2,557	554	1,138	843	22
Group I Teachers	4,453	959	2,835	431	228
Group I Political Subdivision Employees	1,420	227	1,084	88	21
Group I State Employees	2,147	172	1,788	119	68
Total OPEB Membership	**10,577**	**1,912**	**6,845**	**1,481**	**339**

The number of contributing employers for each of the OPEB plans at June 30, 2011 is:

Group II Police Officer & Firefighters	202
Group I Teachers	190
Group I Political Subdivision Employees	410
Group I State Employees	6

The maximum monthly subsidy amounts paid during fiscal year 2012 and 2011 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 have been no increases in the monthly maximum subsidy amounts payable since July 1, 2007.

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

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

INVESTMENTS

Investments in both domestic and non-U.S. securities are valued at current market prices and expressed in U.S. dollars. NHRS uses a trade-date accounting basis for 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 properties and the fair value of the related assumable mortgage notes payable are considered in determining the fair value of these investments. NHRS has adopted a cyclical approach for external appraisals. Properties are selected for external appraisals based on the advice of NHRS' discretionary real estate manager. Investment manager fair value estimates are used during the interim years. For fiscal year 2012, all of the direct property holdings were internally appraised by the real estate managers that hold the properties. Properties held for sale are reported net of disposition costs. The financial statements for commingled funds are typically audited at calendar year-end. The values for real estate investments recorded in this report were obtained from financial statements provided by the direct property managers and the general partners of commingled funds. Real estate commingled funds are selected by the System's discretionary real estate manager.

Alternative investments include investments in private equity, private debt and absolute return strategies. The values for alternative investments recorded in this report were obtained from statements provided by the investment managers. These financial statements are typically audited at calendar year-end.

Cash and cash equivalents are valued at cost which reflects approximate fair value. Cash and cash equivalents primarily represent investments in the pooled short term investment fund managed by NHRS' master custodian. This fund invests mainly in high-grade money market instruments with maturity averaging less than three months. The fund provides daily liquidity.

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

NOTE 3 — INVESTMENTS AND DEPOSITS

RSA 100-A:15, I, provides separate and specific authorities to the Board of Trustees and the Independent Investment Committee for the management of the funds of the Plans and charges them with exercising the judgment and care under the circumstances then prevailing, which persons of prudence, discretion and intelligence, acting in a like capacity and familiar with such matters, would use in the conduct of a pension plan of like character and with like aims of the Plans.

To aid in the prudent investment of the Plans' assets, NHRS has adopted an Investment Manual which includes an investment policy. Primary components of the investment policy include the delineation of roles and responsibilities of the Board of Trustees, Independent Investment Committee, staff, and service providers; investment objectives; 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, the Investment Manual includes asset class guidelines which provide parameters for investment management.

Professional investment managers are bound by policy and contract to a standard of care that establishes a fiduciary relationship, to the extent permitted by law, requiring the manager to act prudently and solely in the best interest of the Plans and beneficiaries. Investment guidelines provide portfolio-level standards for separate account 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 marketable investment portfolios against their respective guidelines.

CUSTODIAL CREDIT RISK — DEPOSITS

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

At June 30, 2012 and June 30, 2011, NHRS held deposits of $6,876 and $3,794 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, 2012 and June 30, 2011.

(in thousands)

	June 30 2012	June 30 2011
Insured	$6,876	$3,794
Uninsured and uncollateralized	—	—
Total Deposits	**$6,876**	**$3,794**

CUSTODIAL CREDIT RISK — INVESTMENTS

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

a. The counterparty to a transaction or

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

NHRS does not have a policy to control custodial credit risk on investments, however, all marketable investments are held by the Plans' master custodian, with the exception of those commingled funds managed by Aberdeen Asset Management, Inc.; GMO, LLC; Pacific Investment Management Company; and Wellington Management Company which are held in their respective custodial bank. The following tables quantify NHRS's exposure to custodial credit risk on its investments at June 30, 2012 and 2011:

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(in thousands)

	June 30 2012	June 30 2011
Deposits: Exposed to Custodial Credit Risk	$ 333	$ 1,590
Investment Securities: Exposure to Custodial Credit Risk Not Determined	41,684	42,201
Investment Securities: Not Exposed to Custodial Credit Risk	5,651,392	5,777,911
Totals	**$5,693,409**	**$5,821,702**

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributable to the magnitude of the Plans' investments in a single issuer. NHRS policy is expressed through individual separate account manager guidelines which limit investments in a single issuer to 10%, or less, of the portfolio value in order to control the overall risk of loss on a total portfolio level. This threshold is set as an upper limit, and in actual practice, managers generally do not reach this limit. Certain securities may be excluded from this limitation due to the nature of the investments (such as U.S. government securities, government-sponsored enterprise obligations, and supranational debt). NHRS fixed income managers have consistently adhered to the established guidelines for issuer concentration. The fixed income commingled fund manager has established investment guidelines regarding concentration of credit risk. The total portfolio is broadly-diversified across equities, fixed income, cash equivalent securities, real estate and alternative investments. Due to this diversification, the concentration of credit risk in a single issuer is below 5% at the total portfolio level.

INTEREST RATE RISK — FIXED INCOME INVESTMENTS:

Interest rate risk is the effect on the fair value of fixed income investments from changes in interest rates. Duration measures a debt investment's change in fair value arising from a change in interest rates.

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

The NHRS policy on duration is expressed through individual portfolio guidelines with each investment manager in lieu of a broad, plan-level policy. Duration guidelines have been established with each fixed income manager in order to manage interest rate risk within the separate account portfolios. The fixed income commingled fund manager also has established investment guidelines regarding duration. These provisions specify that the duration of each individual fixed income portfolio will be managed within a specified percentage or number of years relative to its benchmark index. NHRS fixed income managers follow the established guidelines for duration. If there is an occasional exception, the manager prudently remedies the guideline breach.

The following effective duration tables quantify the interest rate risk of the Plans' fixed income assets at June 30, 2012 and 2011.

EFFECTIVE DURATION — FIXED INCOME INVESTMENTS AT JUNE 30, 2012

(dollars in thousands)

Investment Type	Fair Value June 30, 2012	Percentage of Fixed Income Investments	Effective Duration in Years	Weighted Average Effective Duration in Years
Collateralized/Asset Backed Obligations	$ 123,172	8.2%	3.8	0.3
Corporate Bonds	480,899	31.8%	7.2	2.3
Government and Agency Bonds	423,811*	28.0%	4.7	1.3
Pacific Investment Management Company Core Plus	483,592**	32.0%	4.7	1.5
Totals	**$1,511,474**	**100.0%**		**5.4**

**Includes $28,674 reported in cash and cash equivalents on Statement of Plan Net Assets.

**Includes $10,097 reported in cash and cash equivalents on Statement of Plan Net Assets.

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EFFECTIVE DURATION — FIXED INCOME INVESTMENTS AT JUNE 30, 2011 (dollars in thousands)

Investment Type	Fair Value June 30, 2011	Percentage of Fixed Income Investments	Effective Duration in Years	Weighted Average Effective Duration in Years
	Investment Maturities (In Years)			
Collateralized/Asset Backed Obligations	$ 112,094	7.5%	4.1	0.3
Corporate Bonds	416,975	27.8%	7.1	2.0
Government and Agency Bonds	407,189	27.2%	4.7	1.3
NTGI Collective Daily Aggregate Bond Index Fund	109,477	7.3%	5.2	0.4
Pacific Investment Management Company Core Plus	452,822	30.2%	4.2	1.2
Totals	**$1,498,557**	**100.0%**		**5.2**

CREDIT RISK — FIXED INCOME SECURITIES:

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

NHRS controls credit risk on debt securities by establishing requirements for average credit quality at the separate account portfolio level and through credit quality standards for individual securities. The NHRS policy on credit quality is expressed through individual portfolio guidelines with each investment manager in lieu of a broad, plan-level policy. The investment guidelines are customized to the individual manager's strategy. NHRS fixed income managers follow established guidelines for credit quality. If there is an occasional exception, the manager prudently remedies the guideline breach. The NHRS applies standards with regard to securities rated by nationally recognized statistical rating organizations ("NRSRO") and uses the lowest agency ratings for evaluating the credit quality of a specific security. The fixed income commingled fund manager has established investment guidelines regarding concentration of credit risk.

The following schedules illustrate the Plans' fixed income investments as of June 30, 2012 and 2011, including the distribution of those investments by Standard & Poor's quality credit ratings.

CREDIT QUALITY RISK — FIXED INCOME SECURITIES AT JUNE 30, 2012 (in thousands)

Investment Type	Fair Value June 30, 2012	AAA	AA	A	BBB or Lower	Unrated
		Quality Ratings[1]				
Collateralized/Asset Backed Obligations	$ 123,951	$ 55,511	$ 2,743	$ 27,620	$ 15,271	$22,806
Corporate Bonds	480,899	7,074	53,784	172,293	241,845	5,903
Government and Agency Bonds[2]	267,550	87,314	50,575	98,430	31,231	—
Pacific Investment Management Company Core Plus[3]	483,592	—	483,592	—	—	—
Totals	**$1,355,992**	**$149,899**	**$590,694**	**$298,343**	**$288,347**	**$28,709**
Percent of Total Fair Value		**11.0%**	**43.6%**	**22.0%**	**21.3%**	**2.1%**

[1]Ratings were derived primarily from Standard & Poor's (S&P). In instances where S&P did not rate a security, the Moody's rating was used.
[2]Government and Agency Bonds exclude U.S. government securities and securities explicitly guaranteed by the U.S. government ($162,078) because these securities are not considered to have credit risk.
[3]Average credit quality rating provided by Pacific Investment Management Company.

CREDIT QUALITY RISK — FIXED INCOME SECURITIES AT JUNE 30, 2011 (in thousands)

Investment Type	Fair Value June 30, 2011	AAA	AA	A	BBB or Lower	Unrated
		Quality Ratings[1]				
Collateralized/Asset Backed Obligations	$ 116,962	$ 51,481	$ 2,667	$ 24,968	$ 16,858	$20,988
Corporate Bonds	416,975	18,119	61,449	144,574	189,869	2,964
Government and Agency Bonds[2]	244,960	123,714	22,883	46,446	29,091	22,826
NTGI Daily Aggregate Bond Index Fund[3]	109,477	—	109,477	—	—	—
Pacific Investment Management Company Core Plus[3]	452,822	—	452,822	—	—	—
Totals	**$1,341,196**	**$193,314**	**$649,298**	**$215,988**	**$235,818**	**$46,778**
Percent of Total Fair Value		**14.4%**	**48.4%**	**16.1%**	**17.6%**	**3.5%**

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[1]Ratings were derived primarily from Standard & Poor's (S&P). In instances where S&P did not rate a security, the Moody's rating was used.
[2]Government and Agency Bonds exclude U.S. government securities and securities explicitly guaranteed by the U.S. government ($162,229) because these securities are not considered to have credit risk.
[3]Average credit quality ratings for commingled funds provided by Northern Trust Global Investments and Pacific Investment Management Company.

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. As of June 30, 2012 investments in non-U.S. equity securities have a target asset allocation of 20% of total investments with a target range of 15–25%. As of June 30, 2012, non-U.S. fixed income securities represent 5.2% of the total fund as a result of the managers' security selection process. Non-U.S. investments are permitted in the alternative investment asset class which includes private equity, private debt and absolute return strategy investments. The target allocation for alternative investments is 10% and the NHRS investment policy does not set limits for foreign investments in this asset class. The target allocation for real estate investments is 10% and up to 35% of the Plans' real estate allocation may be invested in non-U.S. investments.

In addition, foreign currency risk is mitigated through the investment guidelines. NHRS manages its foreign exposure by requiring that separate account managers diversify their non-U.S. portfolios by country, sector and issuer to limit both foreign currency risk and security risk. Managers of commingled funds have discretion over their respective investment guidelines which must be consistent with strategies approved by the NHRS. In certain instances, where permitted in the investment guidelines, investment managers may also use foreign currency forward contracts to hedge against foreign currency risk.

The Plans' exposure to foreign currency risk at June 30, 2012 and 2011 is presented on the following schedules.

FOREIGN CURRENCY RISK — NON-U.S. INVESTMENTS AS OF JUNE 30, 2012 (in thousands)

Currency	Equity	Fixed Income	Real Estate & Alternative Investments	Cash and Cash Equivalents	Totals
Argentine peso	$ —	$ —	$ —	$ 6	$ 6
Australian dollar	13,203	38,793	1,234	—	53,230
Brazilian real	21,780	9,359	—	—	31,139
British pound sterling	123,525	22,726	5,006	—	151,257
Canadian dollar	21,545	26,780	—	—	48,325
Danish krone	21,182	—	—	—	21,182
Euro	148,410	6,511	2,781	30	157,732
Hong Kong dollar	95,049	—	4,817	142	100,008
Hungarian forint	297	11,684	—	—	11,981
Indian rupee	9,573	—	—	10	9,583
Indonesian rupiah	7,387	1,310	—	—	8,697
Japanese yen	84,868	—	15,749	109	100,726
Malaysian ringgit	1,830	12,335	—	—	14,165
Mexican peso	15,745	32,534	—	—	48,279
New Zealand dollar	—	24,635	—	—	24,635
Norwegian krone	3,507	7,365	—	—	10,872
Polish zloty	1,799	17,007	—	—	18,806
Singapore dollar	3,603	1,121	1,448	—	6,172
South African rand	10,853	11,281	—	16	22,150
South Korean won	32,485	13,592	—	7	46,084
Swedish krona	18,543	—	269	—	18,812
Swiss franc	53,412	—	—	—	53,412
Taiwan dollar	11,066	—	—	13	11,079
Thai baht	3,921	—	414	—	4,335
Turkish lira	5,878	—	—	—	5,878
Total investments subject to foreign currency risk	**709,461**	**237,033**	**31,718**	**333**	**978,545**
Non-U.S. investments denominated in U.S. Dollars	210,964	57,445	33,100	—	301,509
Total Non—U.S. Investments	**$920,425**	**$294,478**	**$64,818**	**$333**	**$1,280,054**

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FOREIGN CURRENCY RISK — NON-U.S. INVESTMENTS AS OF JUNE 30, 2011 (in thousands)

Currency	Equity	Fixed Income	Real Estate & Alternative Investments	Cash and Cash Equivalents	Totals
Marketable Investments:					
Argentine peso	$ —	$ —	$ —	$ 7	$ 7
Australian dollar	24,565	35,168	1,112	—	60,845
Brazilian real	24,408	10,917	—	—	35,325
British pound sterling	114,375	23,221	3,418	—	141,014
Canadian dollar	39,116	40,652	—	—	79,768
Czech koruna	1,754	—	—	—	1,754
Danish krone	18,349	—	—	—	18,349
Euro	229,584	4,673	2,910	401	237,568
Hong Kong dollar	83,753	—	5,682	47	89,482
Hungarian forint	1,477	4,036	—	—	5,513
Indian rupee	12,417	—	—	—	12,417
Indonesian rupiah	8,374	6,165	—	26	14,565
Japanese yen	101,758	—	23,064	118	124,940
Malaysian ringgit	4,452	7,204	—	—	11,656
Mexican peso	15,569	13,104	—	—	28,673
New Zealand dollar	—	21,735	—	—	21,735
Norwegian krone	8,395	13,026	—	—	21,421
Philippine peso	250	—	—	—	250
Polish zloty	4,992	9,221	—	—	14,213
Singapore dollar	6,926	1,159	1,632	—	9,717
South African rand	10,682	4,594	—	—	15,276
South Korean won	47,885	7,188	—	12	55,085
Swedish krona	19,927	—	409	16	20,352
Swiss franc	59,851	—	—	—	59,851
Taiwan dollar	21,024	—	—	963	21,987
Thai baht	1,806	—	447	—	2,253
Turkish lira	5,845	—	—	—	5,845
Total investments subject to foreign currency risk	**867,534**	**202,063**	**38,674**	**1,590**	**1,109,861**
Non-U.S. investments denominated in U.S. Dollars	225,490	39,794	20,109	—	285,393
Total Non—U.S. Investments	**$1,093,024**	**$241,857**	**$58,783**	**$1,590**	**$1,395,254**

DERIVATIVES

Derivative instruments are contracts whose values are based on the valuation of an underlying asset, reference rate or index. Derivatives include futures, options, forward contracts and forward foreign currency exchanges. NHRS managers may enter into certain derivative instruments primarily to enhance the efficiency and reduce the volatility of the portfolio. As of June 30, 2012, there was $7.1 million invested in equity futures (0.1% of total investments) and there were no investments in options within the separate account portfolios. As of June 30, 2011, there was $11.6 million invested in equity futures (0.2% of total investments) and there were no investments in options within the separate account portfolios. The NHRS investment policy and certain investment manager guidelines allow for the use of derivative instruments. The use of futures, options, or forward contracts is permitted for defensive purposes only and any speculative hedging or leveraging of the portfolios is prohibited in separate account mandates. Managers of commingled funds have discretion over their respective investment guidelines which may allow for the use of derivative instruments.

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 counterparties and utilize exchanges which have trading standards.

Investments in asset-backed and mortgage-backed securities are reported at fair value. Although not generally considered to be derivatives, asset-backed and mortgage-backed securities receive cash flows from interest and principal payments on the underlying assets and mortgages. As a result, they are exposed to prepayment risk. As of June 30, 2012 and June 30, 2011, the Plans' combined investment in asset-backed and mortgage-backed securities held in separate account portfolios totaled $346.1 million (6.1%) and $271.5 million (4.6%) of total investments, respectively.

NHRS managers may use futures, options, and foreign currency exchange contracts in order to manage currency risk or initiate transactions in non-U.S. investments. NHRS may be positively or negatively

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impacted by foreign currency risk due to fluctuations in the value of different currencies. The Plans could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. To mitigate this risk, investment managers conduct assessments of their counterparties and utilize exchanges which have trading standards. The fair value of open foreign currency exchange 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, 2012 and June 30, 2011 are shown on the following pages.

OPEN FOREIGN CURRENCY EXCHANGE CONTRACTS AT JUNE 30, 2012 (in thousands)

	Local Currency Amount	Effective Date	Maturity Date	Original Foreign Exchange Rate	Unrealized Appreci— ation	Unrealized (Depre— ciation)
Foreign currency exchange contracts purchased:						
Brazilian real	13,677	6/25/2012	8/2/2012	2.0849600 BRL/USD	$ 173	$ —
Brazilian real	2,529	6/29/2012	9/4/2012	2.0491500 BRL/USD	4	—
British pound sterling	277	6/27/2012	7/2/2012	0.6425166 GBP/USD	3	—
British pound sterling	50	6/29/2012	7/3/2012	0.6374339 GBP/USD	—	—
British pound sterling	13,202	5/29/2012	9/13/2012	0.6381621 GBP/USD	15	—
Chilean peso	3,498,190	4/17/2012	10/18/2012	497.34000 CLP/USD	—	(167)
Chilean peso	1,265,910	5/17/2012	11/16/2012	512.60000 CLP/USD	7	—
Euro	86	6/27/2012	7/2/2012	0.8015775 EUR/USD	2	—
Euro	10	6/29/2012	7/3/2012	0.7900142 EUR/USD	—	—
Hong Kong dollar	1,979	6/28/2012	7/3/2012	7.7582000 HKD/USD	—	—
Hong Kong dollar	950	6/29/2012	7/3/2012	7.7562000 HKD/USD	—	—
Polish zloty	332	6/29/2012	7/3/2012	3.3340000 PLN/USD	—	—
South African rand	1,032	6/26/2012	7/3/2012	8.4482000 ZAR/USD	4	—
South African rand	557	6/27/2012	7/3/2012	8.4269000 ZAR/USD	2	—
Swiss franc	183	6/27/2012	7/2/2012	0.9627000 CHF/USD	3	—
Turkish lira	73	6/28/2012	7/2/2012	1.8298000 TRY/USD	—	—
Turkish lira	22,805	5/8/2012	8/10/2012	1.8188500 TRY/USD	—	(35)
Foreign currency exchange contracts sold:						
Australian dollar	25,545	4/5/2012	7/11/2012	1.0198900 USD/AUD	—	(112)
Australian dollar	2,723	4/11/2012	7/11/2012	1.0209300 USD/AUD	—	(9)
Brazilian real	13,677	4/26/2012	8/2/2012	0.5208469 USD/BRL	391	—
British pound sterling	9	6/27/2012	7/2/2012	1.5567000 USD/GBP	—	—
Canadian dollar	251	6/27/2012	7/3/2012	0.9740702 USD/CAD	—	(2)
Canadian dollar	424	6/28/2012	7/5/2012	0.9668001 USD/CAD	—	(6)
Canadian dollar	172	6/29/2012	7/5/2012	0.9822700 USD/CAD	—	—
Euro	17,692	5/4/2012	11/8/2012	1.3100850 USD/EUR	695	—
Euro	6,274	6/14/2012	7/18/2012	1.2582500 USD/EUR	—	(69)
Hong Kong dollar	1,541	6/29/2012	7/5/2012	0.1289291 USD/HKD	—	—
Hong Kong dollar	113	6/29/2012	7/3/2012	0.1289009 USD/HKD	—	—
Hong Kong dollar	413	6/29/2012	7/3/2012	0.1288826 USD/HKD	—	—
New Zealand dollar	11,044	6/6/2012	9/18/2012	0.7600000 USD/NZD	—	(437)
South African rand	135	6/25/2012	7/2/2012	0.1175461 USD/ZAR	—	(1)
South African rand	1,090	6/28/2012	7/5/2012	0.1184483 USD/ZAR	—	(4)
South African rand	1,055	6/29/2012	7/6/2012	0.1221546 USD/ZAR	—	—
Totals					**$1,299**	**($842)**

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OPEN FOREIGN CURRENCY EXCHANGE CONTRACTS AT JUNE 30, 2011

(in thousands)

	Local Currency Amount	Effective Date	Maturity Date	Original Foreign Exchange Rate	Unrealized Appreci-ation	Unrealized (Depre-ciation)
Foreign currency exchange contracts purchased:						
British pound sterling	16	6/30/11	7/5/11	0.6218132 GBP/USD	$ —	$ —
British pound sterling	12	6/30/11	7/5/11	0.6218132 GBP/USD	—	—
British pound sterling	16,630	5/26/11	8/31/11	0.6122836 GBP/USD	—	(481)
Chinese yuan	16,988	4/21/11	1/11/12	6.3760000 CNY/USD	—	(22)
Chinese yuan	12,447	6/30/11	1/11/12	6.4220000 CNY/USD	—	(2)
Euro	17	6/30/11	7/5/11	0.6886104 EUR/USD	—	—
Hong Kong dollar	13	6/30/11	7/5/11	7.7825000 HKD/USD	—	—
Polish zloty	4,989	6/17/11	7/21/11	2.7956630 PLN/USD	30	—
Singapore dollar	3,230	4/21/11	7/26/11	1.2344540 SGD/USD	15	—
Turkish lira	10,035	5/6/11	8/10/11	1.5688500 TRY/USD	—	(259)
Foreign currency exchange contracts sold:						
Australian dollar	24,111	4/6/11	7/11/11	1.0317000 USD/AUD	—	(915)
Brazilian real	5,855	4/12/11	7/14/11	0.6185822 USD/BRL	—	(117)
Brazilian real	7,822	5/4/11	7/14/11	0.6131960 USD/BRL	—	(198)
British pound sterling	2,646	6/7/11	8/31/11	1.6430000 USD/GBP	103	—
British pound sterling	2,000	6/8/11	8/31/11	1.6365000 USD/GBP	64	—
British pound sterling	1,775	6/9/11	8/31/11	1.6360000 USD/GBP	56	—
Canadian dollar	5,207	5/11/11	8/16/11	1.0401065 USD/CAD	26	—
Euro	11,469	5/20/11	8/24/11	1.4132000 USD/EUR	—	(396)
Euro	7,703	5/6/11	11/9/11	1.4331200 USD/EUR	—	(87)
Hong Kong dollar	46	6/29/11	7/1/11	0.1283779 USD/HKD	—	—
Hungarian forint	97	6/30/11	7/5/11	0.0054585 USD/HUF	—	—
New Zealand dollar	11,044	6/6/11	9/12/11	0.8110000 USD/NZD	—	(122)
Polish zloty	4,989	4/18/11	7/21/11	0.3538224 USD/PLN	—	(49)
Swedish krona	99	6/29/11	7/1/11	0.1560062 USD/SEK	—	—
Totals					**$294**	**($2,648)**

SECURITIES LENDING

NHRS terminated its Securities Lending program during Fiscal Year 2011, due to the poor risk to reward relationship and the limited earning potential associated with this activity due to extremely low interest rates. The program was exited completely in January of 2011.

Prior to the program's termination, NHRS had a Securities Lending agreement with its master custodian. In accordance with this agreement the Plans participated in a securities lending program administered by the custodian. The Plans received revenue based on the net amount of the invested collateral and the rebates paid to the borrowers. During the duration of securities loans, the Plans received dividends and coupon payments equivalent to amounts that would be received had the securities not been loaned.

The custodian's responsibilities as lending agent included 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. Credit risk on loaned securities was 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% for loans of U.S. securities and 105.0% for loans of non-U.S. securities, plus accrued interest, management believes that credit risk was mitigated as the Plans owed borrowers more than borrowers owed the Plans.

During Fiscal Year 2011 NHRS continually reduced its outstanding loan cap per the parameters allowed by its custodian until a complete exit was achieved in January of 2011.

The fair value of securities on loan, the collateral held, and the securities lending income as of June 30, 2012 and June 30, 2011 are presented below.

SECURITIES LENDING ACTIVITIES		($ in thousands)
	2012	2011
Fair Value of U.S. and Non-U.S. Securities on Loan	$ 0	$ 0
Collateral Held Against U.S. and Non-U.S. Securities	0	0
Ratio of Collateral held to Loaned Securities	N/A	N/A
Net Income From Securities Lending Program	$ 0	$333

During Fiscal Year 2011, NHRS also participated in securities lending indirectly, as an investor in the following NTI Collective Investment Trusts: Daily Russell 1000 Index Fund — Lending; Daily Russell 2000 Index Fund — Lending; Daily Aggregate Bond Index Fund — Lending; and Daily All-Country World Index ex-U.S. Fund — Lending. NTI, as manager of these commingled index funds, held 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 was used to purchase additional securities. NHRS initiated a gradual exit from each of these funds during fiscal year 2010 in accordance with trading windows established by NTI. By the end of August 2010, NHRS completed this redemption process and had no securities lending exposure through NTI Collective Investment Trusts. None of the commingled funds in which NHRS initiated investment in fiscal year 2011 participated in securities lending activities through June 30, 2012.

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)
6/30/2012	$5,817,882	$10,361,600	$4,543,718	56.1%	$2,487,757	182.6%
6/30/2011	$5,740,516	$ 9,998,251	$4,257,735	57.4%	$2,517,779	169.1%
6/30/2010	$5,233,838	$ 8,953,932	$3,720,094	58.5%	$2,481,384	149.9%
6/30/2009	$4,937,320	$ 8,475,052	$3,537,732	58.3%	$2,448,287	144.5%
6/30/2008	$5,302,034	$ 7,821,316	$2,519,282	67.8%	$2,308,321	109.1%
6/30/2007	$4,862,256	$ 7,259,715	$2,397,459	67.0%	$2,195,339	109.2%

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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)	Acturial 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						
06/30/12	$ 8,813	$336,241	$327,428	2.6%	$ 374,321	87.5%
06/30/11	$ 9,907	$341,942	$332,036	2.9%	$ 367,536	90.3%
06/30/10	$ 16,475	$443,589	$427,114	3.7%	$ 367,492	116.2%
06/30/09	$119,970	$272,012	$152,042	44.1%	$ 365,617	41.6%
Group I — Teachers						
06/30/12	($ 9,097)*	$254,850	$263,947	(3.6%)	$1,036,605	25.5%
06/30/11	($ 6,131)	$262,107	$268,238	(2.3%)	$1,036,376	25.9%
06/30/10	$ 7,365	$367,482	$360,117	2.0%	$1,020,745	35.3%
06/30/09	$ 20,575	$249,070	$228,495	8.3%	$1,003,514	22.8%
Group I — Political Subdivision Employees						
06/30/12	$ 25,519	$ 73,254	$ 47,735	34.8%	$ 584,871	8.2%
06/30/11	$ 28,917	$ 77,650	$ 48,733	37.2%	$ 579,759	8.4%
06/30/10	$ 33,978	$100,507	$ 66,529	33.8%	$ 572,435	11.6%
06/30/09	$ 36,255	$ 61,468	$ 25,213	59.0%	$ 570,404	4.4%
Group I — State Employees						
06/30/12	($ 917)**	$ 88,414	$ 89,331	(1.0%)	$ 491,960	18.2%
06/30/11	$ 527	$ 95,873	$ 95,347	0.5%	$ 534,288	17.8%
06/30/10	—	$122,285	$122,285	0.0%	$ 520,712	23.5%
06/30/09	—	$ 90,841	$ 90,841	0.0%	$ 508,752	17.9%

* The Group I Teachers OPEB plan currently has a negative balance due to higher than anticipated retirement rates and the lag of when contribution rates are set vs. when they are effective. This has been considered in the current valuation and the negative balance will be collected through higher future contribution rates.

** The Group I State Employees OPEB plan currently has a negative balance due to lower than anticipated contributions and the fact that contribution rates are set based on a zero balance in this plan. The plan is currently on pay go status and the deficit balance will be recouped through a limitation process whereby the payments distributed from this plan will be limited by the amount of contributions received.

	Pension Plan	OPEB Plans
Valuation Date	06/30/2012	06/30/2012
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	24 years From 06/30/2016	13 years* From 06/30/2016
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial Assumptions:		
Investment rate of return*	7.75%	3.75%
Projected salary increases*	4.15% to 24.55%	4.15% to 24.55%
****Includes Price Inflation at***	3.0%	3.0%
Rate of Payroll Growth	3.75%	3.75%
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. There have been no annual increases since July 1, 2007

*The ARC is based on the greater of a 24-year amortization period or the amount necessary to meet cash flow.

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

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between employer and plan members to that point.

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

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

Changes in actuarial assumptions for fiscal year 2012:

None

Legislation was enacted in the 2012 legislative session which:

(a) Modifies the calculation of Average Final Compensation (AFC) for members not vested prior to Jan. 1, 2012, by changing the “compensation over base pay” factor used in the AFC formula from a dollar average to a percentage average.

(b) Clarifies the date from which NHRS must begin calculating a 7-year average of Extra or Special Duty Pay for Group II (Police and Fire) members vested prior to Jan. 1, 2012. This change excludes from the calculation any months prior to July 1, 2009, which is when ESDP began to be separately reported to NHRS.

(c) Clarifies the number of years of creditable service Group II (Police and Fire) members in service prior to July 1, 2011, but not vested prior to Jan. 1, 2012, must have in order to qualify for the supplemental disability benefit available to eligible Accidental Disability retirees.

(d) Changes the annual effective date of changes to the member interest rate from a fiscal year to a calendar year.

(e) Clarifies the definition of “compensation over base pay” for members not vested prior to Jan. 1, 2012.

(f) Clarifies that the maximum benefit limit for members hired before July 1, 2009, is 100 percent of Earnable Compensation and the maximum benefit limit for members hired after that date, and not vested by Jan. 1, 2012, is the lesser of 85 percent of AFC or $120,000 per year.

(g) Modifies the definition of “part-time” for NHRS retirees employed by NHRS-participating employers.

(h) Changes the date by which NHRS Trustees must approve the retirement system’s Comprehensive Annual Financial Report from Dec. 1 to Dec. 31 of each year.

(i) RSA 100-A:53, II; RSA 100-A:53-e, II; RSA 100-A:16, II(h); and RSA 100-A:16, II(j), relative to the Special Account, are repealed.

(j) RSA 100-A:16, III-a, commonly known as the employer “spiking” assessment, is repealed.

Changes in actuarial assumptions for fiscal year 2011:

The investment rate of return assumption was reduced from 8.5% to 7.75%.
The wage inflation assumption was reduced from 4.50% to 3.75%.

Legislation was enacted in the 2011 legislative session which:

(a) Changes the definition of Earnable Compensation for active members who begin service on or after July 1, 2011 or who are not in vested status as of January 1, 2012.

(b) For active members who commenced service on or after July 1, 2011 or who have non-vested status as of January 1, 2012 Average Final Compensation equals the average annual Earnable Compensation during the highest 5 years of creditable service.

(c) For members who commenced service on or after July 1, 2009 or are not vested as of January 1, 2012, a member's retirement benefit shall not exceed the lesser of 85% of the member's highest average final compensation or $120,000.

(d) Group I members commencing service on or after July 1, 2011 are eligible to retire at age 65 and are eligible for a reduced annuity at age 60 with 30 years of creditable service. Prior to age 65, the state annuity, together with the member annuity, shall be equal to 1/66th of AFC times creditable service reduced for each month prior to the month after the member attains age 65 by ¼ of 1%. After age 65, the state annuity, together with the member annuity, shall be equal to 1/66th of AFC times creditable service, reduced for each month prior to the month after the member attains age 65 by 1/4 of 1%.

(e) Group II members commencing service on or after July 1, 2011 are eligible to retire at age 52.5 with 25 years of creditable service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a service retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age, by 1/4 of 1%.

(f) Group II members hired prior to July 1, 2011 who have non-vested status as of January 1, 2012 shall be subject to transition provisions for years of service required for regular service retirement, the minimum age for regular service retirement, and the multiplier used to calculate the retirement annuity, which shall be applicable on January 1, 2012.

Years of Creditable Service as of January 1, 2012	Minimum Age	Minimum Service	Benefit Multiplier
At least 8 but less than 10 years	46	21	2.4 %
At least 6 but less than 8 years	47	22	2.3 %
At least 4 but less than 6 years	48	23	2.2 %
Less than 4 years	49	24	2.1 %
Hired on or after July 1, 2011	52.5*	25	2.0 %

*These members are eligible for a reduced service retirement pension at age 50.

(g) Member Contributions
Group I (Employee and Teacher) members: 7.0% of earnable compensation.
Group II Fire members: 11.80% of earnable compensation.
Group II Police members: 11.55% of earnable compensation.
Group II (Police and Fire) member contributions cease for members who are in vested status before January 1, 2012 with creditable service in excess of 40 years. Member contributions cease for all other
Group II (Police and Fire) members with creditable service in excess of 42.5 years.

(h) Medical Subsidy — After July 1, 2007 the rate payable shall not be increased.

(i) Interest on the individual accounts of members in the member annuity savings fund shall be credited interest at 2 percentage points less than either the most recent board of trustees approved assumed rate of return determined under RSA 100-A:16, II(h) or the actual rate of return, whichever is lower for the immediately preceding fiscal year as reported in the CAFR as approved and accepted by the board of trustees by December 1 of each year, provided the rate shall not be less than zero.

(j) Any retired member who retired from a political subdivision and is receiving a Medical Subsidy under RSA 100-A:52 or RSA 100-A:52-a shall be entitled to receive an additional temporary supplemental allowance. The amount of the additional temporary supplemental allowance shall be $500 for retirees taking a one-person medical benefit and $1,000 for retirees taking a 2-person medical benefit, paid from the respective component of the reserve for TSAs. The supplemental allowance shall apply only for the fiscal years beginning July 1, 2008 up to and including the fiscal year beginning July 1, 2012.

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(k) Transfer the balance in each Special Account component (Employee, Teacher, Police, and Fire) to the corresponding components of the State Annuity Accumulation Fund except for funds necessary to comply with RSA 100-A:41-d, III, as amended.

(l) Part-time employment of anyone who retired from an NHRS employer and is in receipt of a pension shall not exceed 32 hours in a normal calendar week, with some exceptions for employment within a 5-consecutive month block of any 12-month period. This limit only applies to retirees working for an NHRS participating employer.

(m) NHRS Board of Trustees will consist of four employee trustees (1 Teacher, 1 Employee, 1 Police, and 1 Fire), four employer trustees (1 state, 1 county, 1 municipal, 1 school), four non-member trustees selected by the Governor, and the State Treasurer, who serves ex officio. The board must submit quarterly reports to the chairpersons of the House and Senate Executive Departments and Administration committees describing recent board actions including investment returns and any changes to actuarial assumptions.

(n) RSA 100-A:6, III(b)(3), relative to the Group II accidental disability beneficiary exception from gainful occupation reduction, is repealed.

(o) RSA 100-A:4-b and c, relative to members purchase of credit for out-of state service, are repealed.

(p) The Board of Trustees of the retirement system shall recalculate employer contribution rates for the state fiscal years 2012 and 2013 to reflect approved legislative changes. Such employer contribution rates shall be effective "as soon as possible" following July 1, 2011.

(q) Employer assessment for "excess" end-of-career payments delayed until July 1, 2012 and assessment formula changed; NHRS directed to post an online calculator based on new formula within 30 days of passage.

(r) Transfer of $89,000,000 from the Group II Special Account to the State Annuity Accumulation Fund (SAAF).

(s) RSA 100-D, relative to the Sudan Divestment Act, is repealed.

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 below, are set by statute under RSA 100-A:16 and depend on the member's group affiliation.

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

The State funds 100% of the employer normal costs for all State employees, and for fiscal year 2012 the State funded $3.5 million of the employer normal costs for teachers, police officers, and firefighters employed by political subdivisions. For fiscal year 2011, the State funded 25% of the employer normal costs for teachers, police officers, and firefighters employed by political subdivisions. The State does not participate in funding the employer cost of other political subdivision employees. The funding strategy for normal cost should provide sufficient resources to pay employee pension benefits on a timely basis.

The annual covered payroll for the year ended June 30, 2012 is $2,487.8 million and the annual covered payroll for the fiscal year ended June 30, 2011 was $2,517.8 million.

The following tables show the percentages of gross payroll contributed by the State, other contributing employers, and members to the pension plan and the OPEB plans.

TOTAL CONTRIBUTION RATES — PENSION PLAN

	(FY 2012)				(FY 2011)			
Member Category	Member Normal Share	Employer Normal Share State***	Employer Normal Share Local	Employer Normal Share Total**	Member Normal Share	Employer Normal Share State	Employer Normal Share Local	Employer Normal Share Total
Employees								
State	7.00%	8.48%	—	8.48%	5.00%*	9.09%	—%	9.09%
Local	7.00%	—	8.48%	8.48%	5.00%	—%	9.09%	9.09%
Teachers	7.00%	—	8.99%	8.99%	5.00%	2.35%	7.03%	9.38%
Police Officers	11.55%	—	—	15.98%	9.30%	4.34%	13.00%	17.34%
Firefighters	11.80%	—	—	18.92%	9.30%	5.63%	16.89%	22.52%

* State employees hired on or after July 1, 2009, but before July 1, 2011 were required to contribute a member normal share of 7.00%. After July 1, 2012 all state employees are required to contribute a member normal share of 7.00%.

** Legislation was passed in the 2011 legislative session that required the Board of Trustees to recertify the employer rates. The employer rates were recertified by the Board of Trustees in August 2011. The employer rates in effect for

July 2011 were 10.71% for group I Employees, 22.92% for Group II Police Officers and 28.25% for Group II Firefighters. The employer rates shown in the table above were the rates in effect for August 2011 through June 2012.

*** In FY 2011 the State contributed 25% toward the normal costs of political subdivision teachers, firefighters and police officers. In FY 2012 the State contributed $3.5 million toward the normal costs of these political subdivision groups.

OPEB PLANS

In accordance with RSA 100-A:53, RSA 100-A:53-b, RSA 100-A:53-c and RSA 100-A:53-d, benefits are provided by a 401(h) subtrust of the Pension Plan. For fiscal year 2009 and prior, the OPEB Plans were funded by allocating 25% of all employer contributions made in accordance with RSA 100-A:16 to the 401(h) subtrust until such time as the benefits were fully funded.

Beginning with fiscal year 2010, the OPEB Plans are to be funded by allocating to the 401(h) subtrust the lesser of:

a.) 25% of all employer contributions made in accordance with RSA 100-A:16; or

b.) the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53, RSA 100-A:53-b, RSA 100-A:53-c and RSA 100-A:53-d.

For fiscal year 2012, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust.

The State funds 100% of the employer normal costs for all State employees and for fiscal year 2012 the State funded $3.5 mllion of the employer normal costs for teachers, police officers and firefighters employed by political subdivisions. For fiscal year 2011, the State funded 25% 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.

TOTAL CONTRIBUTION RATES — OPEB PLANS

	(FY 2012)				(FY 2011)			
	Member Normal	Employer Normal Share			Member Normal	Employer Normal Share		
Member Category	Share	State*	Local	Total**	Share	State	Local	Total
Employees								
State	—	1.60%	—	1.60%	—	1.96%	—	1.96%
Local	—	—	0.32%	0.32%	—		0.07%	0.07%
Teachers	—	—	2.31%	2.31%	—	0.33%	0.99%	1.32%
Police Officers	—	—	—	3.97%	—	0.54%	1.63%	2.17%
Firefighters	—	—	—	3.97%	—	0.54%	1.63%	2.17%

* In FY 2011 the State contributed 25% toward the normal costs of political subdivision teachers, firefighters and police officers. In FY 2012 the State contributed $3.5 million toward the normal costs of these political subdivision groups.

** Legislation was passed in the 2011 legislative session that required the Board of Trustees to recertify the employer rates. The employer rates were recertified by the Board of Trustees in August 2011. The OPEB portion of the employer rates that were in effect for July 2011 were 1.60% for group I State Employees, 0.38% for Group I Political Subdivision Employees, 2.65% for Group II Police Officers and 2.65% for Group II Firefighters. The employer rates shown in the table above were the rates in effect for August 2011 through June 2012.

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

TOTAL AMOUNTS CONTRIBUTED — PENSION AND OPEB PLANS

	(FY 2012)				(FY 2011)			
	Member Normal	Employer Normal Share			Member Normal	Employer Normal Share		
Member Category	Share**	Pension Plan*	OPEB Plans*	Total Contributions	Share	Pension Plan*	OPEB Plans*	Total Contributions
Employees	$ 80,537	$ 94,358	$10,261	$185,156	$ 59,313	$103,462	$10,756	$173,531
Teachers	74,966	93,510	24,021	192,497	56,200	98,032	13,790	168,022
Police Officers	30,699	44,535	10,234	85,468	26,212	46,922	5,851	78,985
Firefighters	13,391	22,154	4,448	39,993	10,687	26,166	2,504	39,357
Total Contributed	**$199,593**	**$254,557**	**$48,964**	**$503,114**	**$152,412**	**$274,582**	**$32,901**	**$459,895**

*Includes contributions made by both State and local employers and State payments made on behalf of the local employers
**Includes voluntary member contributions of $6.9 million in FY 2012 and $11.9 million in FY 2011.

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TOTAL AMOUNTS CONTRIBUTED EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL PENSION AND OPEB PLANS

	(FY 2012)				(FY 2011)			
		Employer Normal Share				Employer Normal Share		
Member Category	Member Normal Share**	Pension Plan*	OPEB Plans*	Total Contributions	Member Normal Share	Pension Plan*	OPEB Plans*	Total Contributions
Employees	7.48%	8.76%	0.95%	17.19%	5.32%	9.29%	0.97%	15.58%
Teachers	7.23%	9.02%	2.32%	18.57%	5.42%	9.46%	1.33%	16.21%
Police Officers	11.83%	17.16%	3.94%	32.93%	10.10%	18.08%	2.25%	30.43%
Firefighters	11.91%	19.70%	3.96%	35.56%	9.89%	24.22%	2.32%	36.43%
Total Contributed	**8.02%**	**10.23%**	**1.97%**	**20.22%**	**6.05%**	**10.91%**	**1.31%**	**18.27%**

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 2012 and 2011 fiscal years were based on the June 30, 2009 actuarial valuation.

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	
	2012	2011
Pension		
Employees	$1,854,855	$1,864,849
Teachers	2,148,903	2,190,420
Police Officers	1,175,270	1,199,444
Firefighters	571,299	582,712
Special Account	—	20,000
Subtotal Pension	**$5,750,327**	**$5,857,425**
OPEB Plans		
Group II Police Officers & Firefighters	$ 8,704	$ 10,066)
Group I Teachers	(8,985)*	(6,229)*
Group I Political Subdivision Employees	25,203	29,382
Group I State Employees	(906)**	535
Subtotal OPEB Plans	**$ 24,016**	**$ 33,754**
TOTAL NET ASSETS HELD IN TRUST FOR BENEFITS	**$5,774,343**	**$5,891,179**

* The Group I Teachers OPEB plan currently has a negative balance due to higher than anticipated retirement rates and the lag of when contribution rates are set vs. when they are effective. This has been considered in the current valuation and the negative balance will be collected through higher future contribution rates.

** The Group I State Employees OPEB plan currently has a negative balance due to lower than anticipated contributions and the fact that contribution rates are set based on a zero balance in this plan. The plan is currently on pay go status and the deficit balance will be recouped through a limitation process whereby the payments distributed from this plan will be limited by the amount of contributions received.

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 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 employee component 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 to be funded annually with all of the earnings on an actuarial basis generated by Special Account assets plus the earnings generated by 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 7.75% for the years ended June 30, 2012 and June 30, 2011. Therefore, earnings in excess of 8.25%, if any, would have been credited to the Special Account. However, legislation was enacted during fiscal year 2007 restricting any funds from being credited to the Special Account from Pension Plan assets 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 from Pension Plan assets. No assets have been transferred to the Special Account since the passage of the 2007 legislation.

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Two bills were passed during the 2011 Legislative Session that impacted the Special Account. One required a transfer of $89 million from the Group II-Police and Fire components of the Special Account to the state annuity accumulation fund. The second piece of legislation required a transfer of the balance of all funds remaining in the Special Account, except for the funds necessary to comply with the requirements of RSA 100-A:41-d, III regarding temporary supplemental allowances (TSA) due to be paid July 1, 2012. This legislation resulted in an additional transfer from the special account to the state annuity accumulation fund of $167.3 million for a total transfer of $256.3 million. As of June 30, 2012, the balance remaining in the Special Account was $20.0 million. Legislation was passed during the 2012 legislative session that repealed the special account. All remaining funds were transferred back to the state annuity accumulation fund after the July 1, 2012 TSA was paid. The amount transferred back to the state annuity accumulation fund after the TSA payment was $16.3 million.

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 60 full-time and part-time employees and the costs associated with operating and maintaining computer systems.

NOTE 8 — CONTINGENT MATTERS

The NHRS is a co-defendant, along with the State of New Hampshire, in a suit filed in the New Hampshire court system. The plaintiff parties are seeking relief from statutory changes made in the 2008 legislative session by the New Hampshire Legislature. There are four claims that currently exist as follows:

- The amended definition of earnable compensation;
- The changed Cost-of Living Adjustment (COLA) formulas from prior years' formulas;
- The manner in which the Special Account was funded;
- The $250 million transfer from the Special Account to the State Annuity Accumulation Fund.

During fiscal year 2012, the parties agreed to file an interlocutory appeal to move the case to the NH Supreme Court without a final ruling from the Superior Court. The interlocutory appeal was accepted by the Superior Court, but on September 26th, the Supreme Court issued an order declining to accept the appeal so the case is back in the Superior Court.

NHRS was also named as a co-defendant along with the State of New Hampshire in a lawsuit filed in Hillsborough County Superior Court. The plaintiffs challenge a number of the provisions in last year's (2011) HB 2 that impact their benefit calculations and eligibility, including:

- Changing the definition of earnable compensation;
- Increasing the average final compensation period;
- Lowering the maximum initial benefit;
- Increasing the Group II normal retirement age while reducing the multiplier used in determining the pension benefit;
- Repealing the Group II accidental disability exception to the gainful occupation reduction.

During fiscal year 2012, the parties agreed to file a similar interlocutory appeal to move the case to the Supreme Court. The Superior Court accepted the interlocutory appeal, but as of the date of this report this request has not been filed with the Supreme Court.

In addition, to the HB 2 benefits claim above, there was a suit filed during fiscal year 2012 in Merrimack County Superior Court by a coalition representing active NHRS members and retirees against the State of NH. The coalition challenged two HB 2 provisions:

- The rate recertification methodology;
- The increase in member contribution rates for all members.

During fiscal year 2012, the Court dismissed both claims but allowed the petitioners to file an amended complaint to identify who was harmed by the increase in member contribution rates. In July 2012, counsel for the parties filed a joint motion for interlocutory appeal which was granted by the Superior Court. On September 26, 2012 the Supreme Court issued an order declining to accept the appeal so the case is back in the Superior Court.

In the opinion of management and legal counsel, the suits will not have an 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 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)
6/30/2012	$5,817,882	$10,361,600	$4,543,718	56.1%	$2,487,757	182.6%
6/30/2011	$5,740,516	$ 9,998,251	$4,257,735	57.4%	$2,517,779	169.1%
6/30/2010	$5,233,838	$ 8,953,932	$3,720,094	58.5%	$2,481,384	149.9%
6/30/2009	$4,937,320	$ 8,475,052	$3,537,732	58.3%	$2,448,287	144.5%
6/30/2008	$5,302,034	$ 7,821,316	$2,519,282	67.8%	$2,308,321	109.1%
6/30/2007	$4,862,256	$ 7,259,715	$2,397,459	67.0%	$2,195,339	109.2%

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS — PENSION PLAN**

Fiscal Year	Classification	Annual Required Contribution (ARC)* (in thousands)	Percent of ARC** Recognized as Contributions
2012	Employees	94,358	100.00%
	Teachers	93,510	100.00%
	Police Officers	44,535	100.00%
	Firefighters	22,154	100.00%
2011	Employees	103,462	100.00%
	Teachers	98,032	100.00%
	Police Officers	46,922	100.00%
	Firefighters	26,166	100.00%
2010	Employees	101,186	100.00%
	Teachers	97,110	100.00%
	Police Officers	46,391	100.00%
	Firefighters	24,990	100.00%
2009	Employees	96,397	75.00%
	Teachers	89,011	75.00%
	Police Officers	49,167	75.00%
	Firefighters	26,655	75.00%
2008	Employees	92,207	75.00%
	Teachers	85,561	75.00%
	Police Officers	47,383	75.00%
	Firefighters	25,369	75.00%
2007	Employees	66,083	100.00%
	Teachers	53,498	100.00%
	Police Officers	36,057	100.00%
	Firefighters	22,415	100.00%
2006	Employees	62,041	100.00%
	Teachers	51,459	100.00%
	Police Officers	34,860	100.00%
	Firefighters	22,218	100.00%

*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						
06/30/12	$ 8,813	$336,241	$327,428	2.6%	$ 374,321	87.5%
06/30/11	$ 9,907	$341,942	$332,035	2.9%	$ 367,536	90.3%
06/30/10	$ 16,475	$443,589	$427,114	3.7%	$ 367,492	116.2%
06/30/09	$119,970	$272,012	$152,042	44.1%	$ 365,617	41.6%
06/30/08	$119,533	$265,226	$145,693	45.1%	$ 341,221	42.7%
06/30/07	$109,475	$248,080	$138,605	44.1%	$ 330,713	41.9%
Group I — Teachers						
06/30/12	($ 9,097)*	$254,850	$263,947	(3.6%)	$1,036,605	25.5%
06/30/11	($ 6,131)	$262,107	$268,238	(2.3%)	$1,036,376	25.9%
06/30/10	$ 7,365	$367,482	$360,117	2.0%	$1,020,745	35.3%
06/30/09	$ 20,575	$249,070	$228,495	8.3%	$1,003,514	22.8%
06/30/08	$ 22,650	$246,616	$223,966	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						
06/30/12	$ 25,519	$ 73,254	$ 47,735	34.8%	$ 584,871	8.2%
06/30/11	$ 28,917	$ 77,650	$ 48,733	37.2%	$ 579,579	8.4%
06/30/10	$ 33,978	$100,507	$ 66,529	33.8%	$ 572,435	11.6%
06/30/09	$ 36,255	$ 61,468	$ 25,213	59.0%	$ 570,404	4.4%
06/30/08	$ 50,250	$ 62,097	$ 11,847	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						
06/30/12	($ 917)**	$ 88,414	$ 89,331	(1.0%)	$ 491,960	18.2%
06/30/11	$ 527	$ 95,873	$ 95,347	0.5%	$ 534,288	17.8%
06/30/10	—	$122,285	$122,285	0.0%	$ 520,712	23.5%
06/30/09	—	$ 90,841	$ 90,841	0.0%	$ 508,752	17.9%
06/30/08	($ 17,246)	$ 95,936	$113,182	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.

* The Group I Teachers OPEB plan currently has a negative balance due to higher than anticipated retirement rates and the lag of when contribution rates are set vs. when they are effective. This has been considered in the current valuation and the negative balance will be collected through higher future contribution rates.

** The Group I State Employees OPEB plan currently has a negative balance due to lower than anticipated contributions and the fact that contribution rates are set based on a zero balance in this plan. The plan is currently on pay go status and the deficit balance will be recouped through a limitation process whereby the payments distributed from this plan will be limited by the amount of contributions received.

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SCHEDULE OF EMPLOYER CONTRIBUTIONS — OPEB PLANS

Fiscal Year	Classification	Annual Contribution (ARC)* (in thousands)	Percent of ARC Recognized as Contributions
2012	Group II Police Officers & Firefighters	14,683	100.00%
	Group I Teachers	24,021	100.00%
	Group I Political Subdivision Employees	1,928	100.00%
	Group I State Employees	8,332	100.00%
2011	Group II Police Officers & Firefighters	8,355	100.00%
	Group I Teachers	13,790	100.00%
	Group I Political Subdivision Employees	423	100.00%
	Group I State Employees	10,333	100.00%
2010	Group II Police Officers & Firefighters	8,143	100.00%
	Group I Teachers	13,614	100.00%
	Group I Political Subdivision Employees	404	100.00%
	Group I State Employees	10,399	100.00%
2009	Group II Police Officers & Firefighters	18,707	100.00%
	Group I Teachers	22,998	100.00%
	Group I Political Subdivision Employees	12,381	100.00%
	Group I State Employees	11,150	100.00%
2008	Group II Police Officers & Firefighters	17,369	100.00%
	Group I Teachers	22,887	100.00%
	Group I Political Subdivision Employees	11,420	100.00%
	Group I State Employees	10,030	100.00%
2007	Group II Police Officers & Firefighters	18,078	100.00%
	Group I Teachers	17,791	100.00%
	Group I Political Subdivision Employees	11,858	100.00%
	Group I State Employees	10,474	100.00%

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

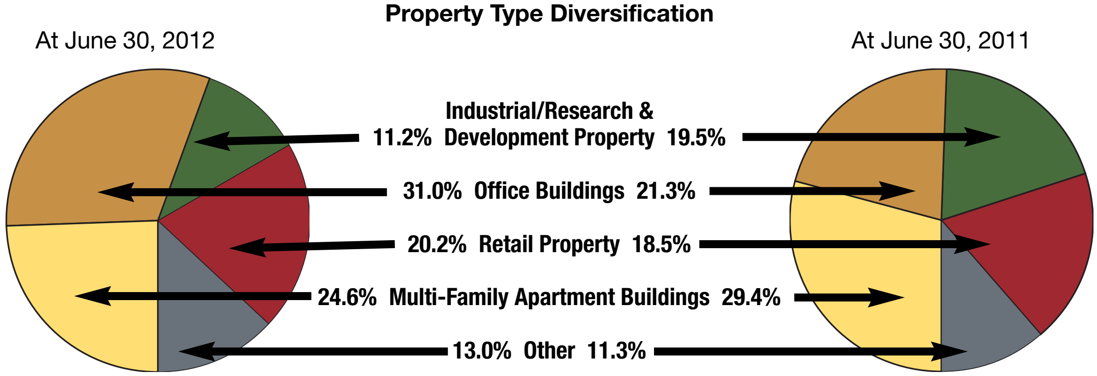
a.) 25% of all employer contributions made in accordance with RSA 100-A:16; or

b.) the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under statute. For fiscal year 2011, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. For fiscal year 2011, the State funded 25% of the employer normal costs for teachers, police officers and firefighters employed by the political subdivisions. For fiscal year 2010 the State funded 30% of those same political subdivision employer costs.

Supporting Schedules

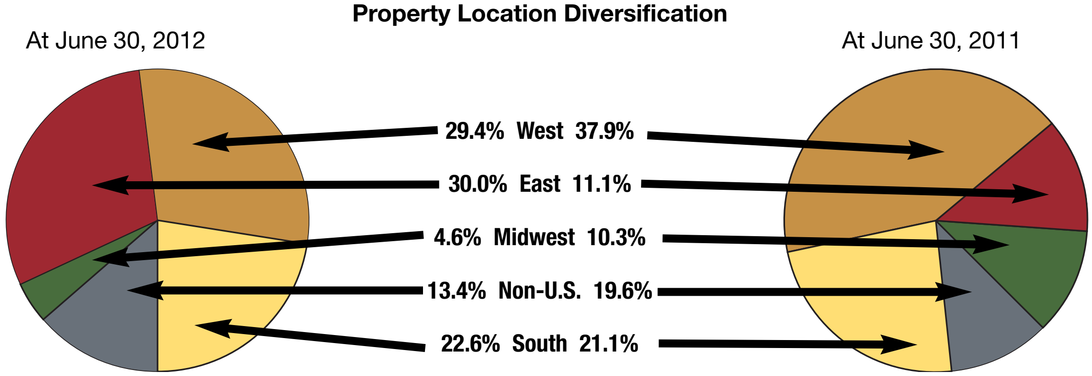
REAL ESTATE INVESTMENTS BY TYPE	(in thousands) JUNE 30 2012	2011
Office Buildings	$159,567	$ 69,466
Multi-Family Apartment Buildings	126,816	95,912
Retail Property	104,052	60,170
Industrial/Research & Development Property	57,472	63,746
Other	66,847	36,963
TOTAL REAL ESTATE INVESTMENTS BY TYPE	**$514,754**	**$326,257**

Property Type Diversification



REAL ESTATE INVESTMENTS BY LOCATION	(in thousands) JUNE 30 2012	2011
West	$151,650	$123,748
East	154,340	36,027
South	116,364	68,865
Midwest	23,549	33,529
Non-U.S.	68,851	64,088
TOTAL REAL ESTATE INVESTMENTS BY LOCATION	**$514,754**	**$326,257**

Property Location Diversification



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ALTERNATIVE INVESTMENTS	(in thousands) JUNE 30 2012	2011
Venture Capital	$ 4,815	$ 10,264
Growth Equity	21,170	28,084
Buyouts	6,226	—
Secondaries	31,244	14,398
Mezzanine	2,432	6,284
Distressed	35,090	22,410
Absolute Return Strategies	41,684	42,201
TOTAL ALTERNATIVE INVESTMENTS	**$142,661**	**$123,641**

CONTRIBUTIONS	(in thousands)	
	YEAR ENDED JUNE 30	
	2012	2011
CONTRIBUTIONS—PENSION PLAN		
EMPLOYER CONTRIBUTIONS:		
Employees	$ 94,358	$103,462
Teachers	91,311	73,647
Police Officers	43,780	38,423
Firefighters	21,608	19,867
TOTAL EMPLOYER CONTRIBUTIONS	**251,057**	**235,399**
STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS:		
Teachers	2,199	24,386
Police Officers	755	8,498
Firefighters	546	6,299
TOTAL STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS	**3,500**	**39,183**
PLAN MEMBER CONTRIBUTIONS:		
Employees	80,537	59,313
Teachers	74,966	56,200
Police Officers	30,699	26,212
Firefighters	13,391	10,687
TOTAL PLAN MEMBER CONTRIBUTIONS	**199,593**	**152,412**
TOTAL CONTRIBUTIONS—PENSION PLAN	**454,150**	**426,994**
CONTRIBUTIONS — OPEB PLANS		
EMPLOYER NORMAL:		
Group II — Police Officers and Firefighters	14,683	6,693
Group I — Teachers	24,021	10,366
Group I — Political Subdivision Employees	1,928	423
Group I — State Employees	8,332	10,333
TOTAL EMPLOYER NORMAL CONTRIBUTIONS	**48,964**	**27,815**
STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS:		
Group II — Police Officers and Firefighters	—	1,662
Group I — Teachers	—	3,424
TOTAL STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS	**—**	**5,086**
TOTAL CONTRIBUTIONS — OPEB PLANS	**48,964**	**32,901**
TOTAL CONTRIBUTIONS	**$503,114**	**$459,895**

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NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS	(in thousands) YEAR ENDED JUNE 30 2012	2011
Equity Investments:		
Domestic	($ 5,889)	$ 584,682
Non-U.S.	(181,224)	309,452
Fixed Income Investments	54,132	70,841
Real Estate	32,726	41,798
Venture Capital	327	2,689
Growth Equity	(300)	8,558
Buyouts	(594)	—
Secondaries	8,555	(701)
Mezzanine	(443)	1,680
Distressed	(4,477)	(5,381)
Absolute Return Strategies	(518)	1,783
NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS	**($ 97,705)**	**$1,015,401**

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INTEREST INCOME	(in thousands)	
	YEAR ENDED JUNE 30	
	2012	2011
Fixed Income Investments	$65,461	$49,587
Cash and Cash Equivalents	141	83
TOTAL INTEREST INCOME	**$65,602**	**$49,670**

DIVIDEND INCOME	(in thousands)	
	YEAR ENDED JUNE 30	
	2012	2011
Equity Investments:		
Domestic	$46,196	$42,616
Non-U.S.	26,989	24,680
TOTAL DIVIDEND INCOME	**$73,185**	**$67,296**

ALTERNATIVE INVESTMENT INCOME (LOSS)	(in thousands)	
	YEAR ENDED JUNE 30	
	2012	2011
Growth Equity	($ 5)	—
Secondaries	115	($ 9)
TOTAL ALTERNATIVE INVESTMENT INCOME (LOSS)	**$ 110**	**($ 9)**

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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	
	2012	2011	2012	2011	2012	2011
Office Buildings	$11,451	$14,145	$ 7,179	$ 8,580	$ 4,272	$ 5,565
Multi-Family Apartment Buildings	9,798	11,832	5,711	7,006	4,087	4,826
Retail Property	7,830	8,932	5,658	5,526	2,172	3,406
Industrial/Research & Development Property	2,554	5,943	633	2,405	1,921	3,538
Other	20	—	—	7	20	(7)
TOTAL	**$31,653**	**$40,852**	**$19,181**	**$23,524**	**$12,472**	**$17,328**

INVESTMENT ACTIVITY FEES AND OTHER INVESTMENT RELATED EXPENSES (in thousands)

	YEAR ENDED JUNE 30 2012	2011
INVESTMENT ACTIVITY FEES:		
Equity Investments:		
Domestic	$ 6,363	$ 6,285*
Non-U.S.	6,287	4,702
Fixed Income Investments	3,747	3,607
Real Estate	2,335	2,592
Custodial Fees	738	427
Investment Advisor Fees	712	752
Investment Staff Administrative Expense	669	—
TOTAL INVESTMENT ACTIVITY FEES	**20,851**	**$18,365**
OTHER INVESTMENT RELATED EXPENSES:		
Securities Lending Borrower (Premiums)	—	($ 2)
Securities Lending Management Fees	—	83
TOTAL INVESTMENT ACTIVITY FEES AND OTHER INVESTMENT RELATED EXPENSES	**20,851**	**$18,446**

*Includes $71 previously reported in alternate investments.

BENEFITS	(in thousands)	
	YEAR ENDED JUNE 30	
	2012	2011
PENSION BENEFITS AND ADDITIONAL ALLOWANCES:		
Employees	$177,486	$170,545
Teachers	218,907	210,519
Police Officers	100,815	93,264
Firefighters	49,843	45,642
TOTAL PENSION BENEFITS AND ADDITIONAL ALLOWANCES	**547,051**	**$519,970**
POSTEMPLOYMENT MEDICAL BENEFITS:		
Group II Police and Fire	16,231	$ 16,019
Group I Teachers	25,856	26,766
Group I Political Subdivision Employees	6,804	7,193
Group I State Employees	9,708	9,885
TOTAL POSTEMPLOYMENT MEDICAL BENEFITS	**$ 58,599**	**$ 59,863**
TOTAL BENEFITS	**$605,650**	**$579,833**

REFUNDS OF CONTRIBUTIONS	(in thousands)	
	YEAR ENDED JUNE 30	
	2012	2011
Employees	$14,959	$12,724
Teachers	6,975	6,032
Police Officers	3,871	3,517
Firefighters	730	557
TOTAL REFUNDS OF CONTRIBUTIONS	**$26,535**	**$22,830**

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ADMINISTRATIVE EXPENSES (in thousands)

	2012 EXPENSE	2012 BUDGET*	OVER (UNDER) BUDGET	2011 EXPENSE	2011 BUDGET*	OVER (UNDER) BUDGET
Salaries and Wages	$3,117	$3,627	($ 510)	$3,803	$4,172	($ 369)
Fringe Benefits	1,384	1,790	(406)	1,852	2,020	(168)
Supplies, Utilities and Postage	219	413	(194)	467	595	(128)
Organizational Dues	11	16	(5)	10	16	(6)
Equipment	30	104	(74)	30	110	(80)
Travel						
Board of Trustees	8	49	(41)	7	34	(27)
Staff	27	43	(16)	30	77	(47)
State Services	29	60	(31)	50	67	(17)
Office Rents and Expenses	588	608	(20)	532	641	(109)
Computer Support and System Development	685	685	0	537	1,720	(1,183)
Consulting	110	288	(178)	80	192	(112)
Workers Compensation	1	5	(4)	($ 20)	5	(25)
Unemployment Compensation	0	5	(5)	—	5	(5)
TOTAL	**$6,209**	$7,693	($ 1,484)	**$7,378**	**$9,654**	**($ 2,276)**

* The New Hampshire biennial budget is composed of the initial operating budget and supplemented by additional appropriations. These appropriations are generated by Governor and Council action, annual session laws, and existing statutes which require appropriations under certain circumstances. The budget therefore is a flexible budget. It is a biennial budget which consists of balances brought forward plus current year appropriations, less balances carried forward into the following fiscal year. The balances carried forward into the following fiscal year are composed of encumbrances and non-lapsing appropriations.

PROFESSIONAL FEES (in thousands)

	YEAR ENDED JUNE 30 2012	2011
Actuarial Fees	$ 271	$ 385
Audit Fees	125	225
Legal Fees	757	828
TOTAL PROFESSIONAL FEES	**$1,153**	**$1,438**

MEMBERSHIP COMPOSITION

	JUNE 30	
	2012	2011
ACTIVE CONTRIBUTING MEMBERS:		
Employees	24,747	25,539
Teachers	18,161	18,466
Police Officers	4,118	4,130
Firefighters	1,599	1,603
TOTAL ACTIVE CONTRIBUTING MEMBERS	**48,625**	**49,738**

*Excludes inactives

	2012	2011
RETIRED MEMBERS:		
Employees	14,141	13,487
Teachers	9,956	9,427
Police Officers	2,981	2,880
Firefighters	1,376	1,336
TOTAL RETIRED MEMBERS	**28,454**	**27,130**

PAYMENTS FROM THE STATE GENERAL FUND (in thousands)

	YEAR ENDED JUNE 30	
	2012	2011
State Share of Normal Contributions for Local Employers	$3,500	$44,269
TOTAL STATE GENERAL FUND PAYMENTS EXCLUSIVE OF NORMAL CONTRIBUTIONS FOR STATE MEMBERS	**$3,500**	**$44,269**

NEW HAMPSHIRE RETIREMENT SYSTEM

Investment Section

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Investment Consultant's Letter

NEPC, LLC

KEVIN M. LEONARD
SENIOR CONSULTANT

October 9, 2012

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, 2012.

The overall objective of 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 maximum 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 an Investment Policy which Includes asset allocation targets and acceptable ranges as well as benchmarks for performance measurement. 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 Investment Policy, develops asset class guidelines, 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. The Investment Manual includes all investment policies and asset class guidelines and may be obtained from the NHRS website at www.nhrs.org. The following pages report on the performance and attributes of the investment program for fiscal year 2012.

As fiscal year 2012 began, the global equity markets were experiencing high volatility and negative returns, high-yield bonds and other credit sectors reflected investors' risk aversion, and Treasury yields were at historic lows. The Eurozone was in crisis and long-term growth prospects were muted. Standard & Poor's downgraded the credit rating of United States Treasury debt due to political gridlock over the handling of the Federal debt ceiling. Markets turned around in the fourth quarter of 2011, driven by improvements in U.S. economic data on unemployment and consumer spending. The rally continued into the first quarter of calendar year 2012 with global stock markets providing double-digit returns in the first quarter as a result of positive developments surrounding the European Central Bank's long term refinancing operations; the successful refinancing of a portion of Greece's debt; and the support of the European Financial Stability Facility as well as the prospect of its more robustly-funded successor the European Stability Mechanism. Beyond the Eurozone, China announced an official reduction of GDP growth targets. The fiscal year ended much the way it started, with concerns about budgets and the stability of sovereign debt across the globe; discussion of bailout measures for Greece, Italy and Spain; resistance to implementation of full austerity measures; and fear that certain countries would exit the euro currency. These headlines triggered negative returns in the global equity markets for the quarter, effectively reducing the gains experienced in the previous two quarters. Against this backdrop, Treasury yields dropped to all-time lows and the dollar rose relative to most developed and emerging market currencies in a flight to safety.

For the fiscal year ended June 30, 2012, the NHRS Total Fund returned +0.9% on a net-of-fees basis, underperforming the Total Fund Custom Benchmark return of +1.7%. The NHRS Total Fund gross-of-fees

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return of +1.2% ranked in the 50th percentile relative to other investors in the Independent Consultants Cooperative Public Fund Universe. For the trailing three years ending June 30, 2012, the NHRS Total Fund annualized gross-of-fees return of +12.2% ranked in the 29th percentile relative to other investors in the Independent Consultants Cooperative Public Fund Universe. For the trailing ten year period ending June 30, 2012, the NHRS Total Fund returned 6.0% on an annualized net-of-fees basis. For the trailing twenty year period ending June 30, 2012, the NHRS Total Fund returned 7.8% on an annualized net-of-fees basis.

Throughout fiscal year 2012 we continued our work with Staff and the Investment Committee on restructuring and expanding the alternative investment program, which will further assist in the diversification of the portfolio. Starting in January 2012, the Investment Committee conducted an asset liability study (ALS) with the primary goal of revisiting the NHRS asset allocation targets and ranges in light of expected risk, return and inflation over the long-term. A liquidity study was conducted in conjunction with the ALS process. This study analyzed the current profile of net contributions versus benefit payments, as well as the current liquidity demands of the portfolio. The liquidity analysis modeled several market environments, including stressed scenarios, to test how the investment program would respond under various market conditions. The liquidity study showed that there are no significant immediate concerns with the System's current liquidity profile and that NHRS could afford an increased allocation to illiquid investments which may generate greater returns than equity or fixed income investments. Given the structure of the NHRS, liquidity demands may change, therefore the Board will need to continue to monitor the Fund's liquidity profile. Subsequently, a factor analysis was conducted to analyze the NHRS asset allocation based on exposure to various factors affecting asset classes that can improve insights on where portfolio risk is being taken. The approach and discussions analyzed six key factors: growth, duration, inflation, currency, illiquidity, and alpha. During the asset allocation review process, Staff and NEPC presented several asset allocation mixes for Committee discussion and consideration. In general, most of these mixes focused on increasing "equity-like" asset classes (including real estate and alternative investments) and decreasing the fixed income asset class in comparison to the current target policy.

As a result of the ALS, liquidity study and factor analysis, the Investment Committee recommended to the Board of Trustees that it was prudent to make slight changes to the current asset allocation. The Board voted unanimously to adopt this new target asset allocation at the September 2012 Board of Trustees meeting as shown in this report. It is expected that the Investment Committee will begin to implement these changes in 2012 and 2013.

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,

Investment Reports

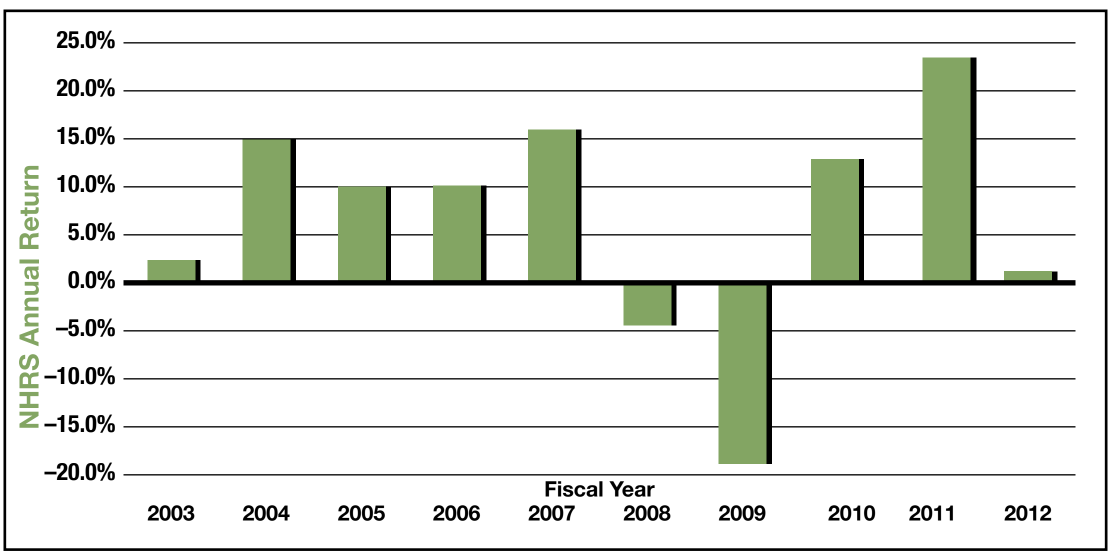
ANNUALIZED INVESTMENT RETURNS—ACTUAL VERSUS INDICES

	Current Year 2012	Annualized 3 Year	5 Year	10 Year
Total NHRS Fund	0.9%	11.9%	1.8%	6.0%
Total Fund Custom Index*	1.7	11.7	2.1	6.5
Domestic Equity	2.0	15.6	–0.9	4.5
Total Domestic Equity Blended Benchmark*	3.8	16.7	0.4	5.8
Non-U.S. Equity	–12.7	9.6	–2.7	6.1
Total Non-U.S. Equity Blended Benchmark*	–14.6	7.0	–4.6	6.5
Fixed Income	7.6	9.7	8.3	7.5
Total Fixed Income Blended Benchmark*	7.4	7.6	6.8	6.1
Real Estate	10.7	9.0	–0.9	9.0
Total Real Estate Blended Benchmark*	12.6	9.4	2.9	8.5
Alternative Investments	1.6	6.5	–5.6	–1.5
Total Alternative Investments Blended Benchmark*	9.8	8.3	7.7	7.8
Cash Equivalents	0.1	0.1	1.0	2.0
90 Day T-Bills	0.0	0.1	0.7	1.7

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

*In a dynamic market, strategies and objectives evolve over time. Consequently, these benchmarks are blended due to historical investment strategy decisions. Detailed descriptions of the benchmarks above are available by contacting NHRS.

Ten Year History of Time-Weighted Total NHRS Fund Annual Returns



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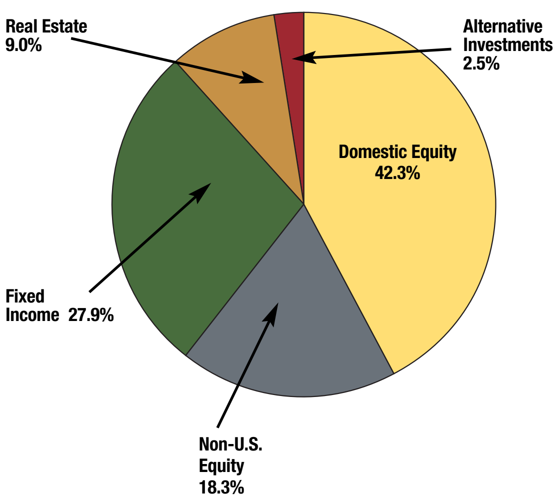
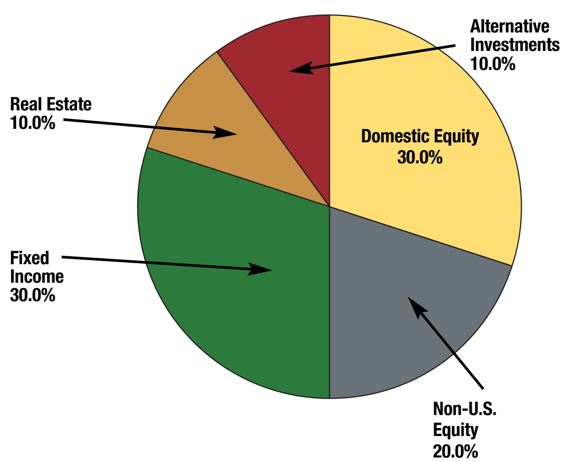
ACTUAL ASSET ALLOCATION VERSUS TARGET ASSET ALLOCATION

		As of June 30, 2012	
	Actual %	Target %	Target Range %
Domestic Equity	42.3 %	30.0 %	20 – 50
Non-U.S. Equity	18.3	20.0	15 – 25
Fixed Income	27.9	30.0	25 – 35
Real Estate	9.0	10.0	0 – 15
Alternative Investments	2.5	10.0	0 – 15
TOTAL FUND	**100.0 %**	**100.0 %**	

Actual Asset Allocation as of June 30, 2012



Target Asset Allocation as of June 30, 2012



TEN LARGEST STOCK HOLDINGS BY FAIR VALUE*

(in thousands)

	Shares	Stock	June 30, 2012 Fair Value
1	699,701	Exxon Mobil Corp.	$59,873
2	96,293	Apple Inc.	56,235
3	1,674,429	Pfizer Inc.	38,512
4	1,145,808	Microsoft Corp.	35,050
5	300,298	Chevron Corp.	31,681
6	1,484,357	General Electric Co.	30,934
7	898,778	Wells Fargo & Co.	30,055
8	427,072	Johnson & Johnson	28,853
9	735,161	JPMorgan Chase & Co.	26,267
10	622,408	Merck & Company, Inc.	25,986

TEN LARGEST FIXED INCOME HOLDINGS BY FAIR VALUE*

(in thousands)

	Par	Security	June 30, 2012 Fair Value
1	2,874,000**	Government of Mexico — 8.5%, 2029	$26,274
2	26,003,000	U.S. Treasury Note — 0.625%, 2012	26,013
3	13,770,000**	United Kingdom Gilt — 2.25%, 2014	22,312
4	19,465,000	U.S. Treasury Note — 0.625%, 2013	19,528
5	18,418,000	U.S. Treasury Note — 1.0%, 2016	18,707
6	11,760,000	U.S. Treasury Bond — 4.25%, 2040	15,384
7	12,430,000**	New South Wales Treasury Bond — 6.0%, 2016	13,916
8	40,200,000**	Republic of Poland — 5.75%, 2022	12,518
9	37,740,000**	Government of Malaysia — 5.094%, 2014	12,335
10	11,625,000**	Government of Canada Note — 2.5%, 2015	11,858

*A complete listing of separate account portfolio holdings is available by contacting the NHRS offices. NHRS also invests in various commingled investment vehicles, which are custodied outside of The Northern Trust Company (Master Custodian for NHRS), as reported on the Summary of Investments schedule.

**Par value is denoted in local currency.

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SCHEDULE OF INVESTMENT MANAGEMENT AND SERVICE FEES

	YEAR ENDED JUNE 30, 2012		
	Assets Under Management (in thousands)	Fees (in thousands)	Average Basis Points
INVESTMENT MANAGEMENT FEES			
Equity Portfolios:			
Domestic	$2,412,108	$ 6,363	26
Non-U.S.	1,043,578	6,287	60
Fixed Income Portfolios	1,559,057	3,747	24
Alternative Investments*	142,661	—	—
Real Estate	514,754	2,335	45
Cash and Cash Equivalents**	30,132	—	—
TOTAL INVESTMENT MANAGEMENT FEES	**$5,702,290**	**$18,732**	**33**
INVESTMENT SERVICE FEES			
Custodial Fees	$5,044,876	$ 738	1
Investment Advisor Fees — External	5,702,290	712	1
Investment Administrative Expenses — Internal	5,702,290	669	1
TOTAL INVESTMENT MANAGEMENT AND SERVICE FEES	**$5,702,290**	**$20,851**	**37**

* The custodian records all transactions on a net of fee basis.

** Does not include cash and cash equivalents held in manager portfolios, only in designated cash portfolios.

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SCHEDULE OF BROKERAGE COMMISSIONS PAID

Brokerage Firm	YEAR ENDED JUNE 30, 2012 Number of Shares Traded (in thousands)	Total Commissions (in thousands)	Commissions Per Share
Credit Suisse First Boston Corporation	23,434	$ 201	$0.01
Merrill Lynch & Company, Inc.	14,540	168	0.01
Morgan Stanley & Company, Inc.	15,260	148	0.01
Citigroup Global Markets, Inc.	12,644	124	0.01
UBS AG	10,267	116	0.01
Deutsche Bank AG	8,273	103	0.01
J.P. Morgan Securities, Inc.	5,688	88	0.02
Barclays Capital, Inc.	6,630	82	0.01
Goldman Sachs & Company, Inc.	8,719	76	0.01
Investment Technology Group, Inc.	3,594	62	0.02
Cantor Fitzgerald & Company	3,485	52	0.01
Instinet, Inc.	4,924	49	0.01
Liquidnet, Inc.	2,630	41	0.02
Macquarie Securities, Inc.	11,595	37	0.01
Nomura Securities Co., Ltd.	5,513	33	0.01
Credit Agricole	1,971	30	0.02
Abel/Noser Corporation	1,912	29	0.02
RBC Capital Markets, LLC	1,078	28	0.03
Jefferies & Company, Inc.	1,133	26	0.02
All Others (167 not listed separately)	38,283	564	0.01
TOTAL BROKERAGE COMMISSIONS PAID	**181,573**	**$2,057**	**$0.01**

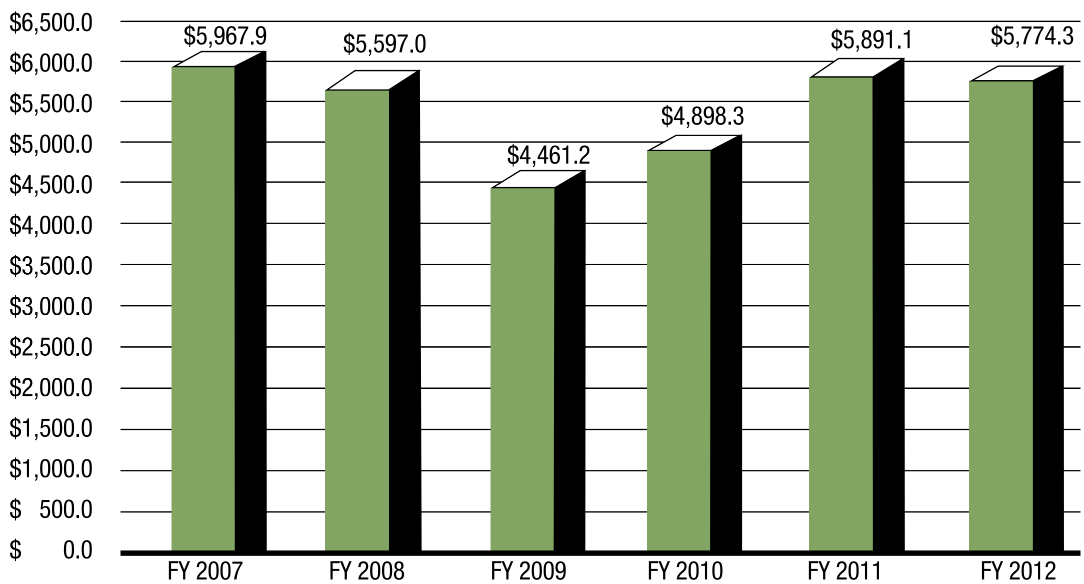
Commission detail is not included in the schedule above for the commingled funds in which NHRS invests.

SUMMARY OF INVESTMENTS

TYPE OF INVESTMENT	June 30, 2012 Fair Value (in millions)	Percent of Total Fair Value
FIXED INCOME		
Collateralized/Asset Backed Obligations	$ 129.8	2.3%
Corporate Bonds	480.9	8.5
Government and Agency Bonds	395.1	6.9
Pacific Investment Management Company Core Plus	473.4	8.3
TOTAL FIXED INCOME	**1,479.2**	**26.0**
EQUITY		
Consumer Discretionary	432.8	7.6
Consumer Staples	297.0	5.2
Energy	320.1	5.6
Financial Services	524.3	9.2
Health Care	386.5	6.8
Industrials	343.2	6.0
Information Technology	559.4	9.8
Materials	164.8	2.9
Telecommunication Services	84.3	1.5
Utilities	86.5	1.5
Aberdeen Emerging Markets Smaller Companies Fund	47.6	0.8
FTSE A50 China Index Fund iShares	0.5	—
GMO Foreign Small Companies Fund	85.1	1.5
Russell 2000 Index Fund iShares	2.1	0.1
Wellington Emerging Markets Local Equity Fund	69.4	1.2
TOTAL EQUITY	**3,403.6**	**59.7**
OTHER INVESTMENTS		
Alternative Investments	142.7	2.5
Real Estate	514.8	9.0
Cash and Cash Equivalents	162.0	2.8
TOTAL INVESTMENTS	**$5,702.3**	**100.0%**

Net Assets Held In Trust For Benefits

(in millions)



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NEW HAMPSHIRE RETIREMENT SYSTEM

Actuarial Section

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Actuarial Certification

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries
One Towne Square
Suite 800
Southfield, MI 48076-3723
248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

November 1, 2012

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

Dear Board Members:

This report was prepared at the request of the Board of Trustees and is intended for use by the Retirement System for the purposes described below.

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 24 years.

The most recent valuation was completed based upon population data, asset data, and plan provisions as of June 30, 2012. Contributions are established bi-annually for a two year period. The June 30, 2011 actuarial report establishes the contribution requirements for Fiscal Years 2014 and 2015. The June 30, 2012 actuarial report is an interim valuation that estimates the contribution requirements for Fiscal Years 2016 and 2017. The final employer rates for Fiscal Years 2016 and 2017 will be computed in the June 30, 2013 actuarial valuation.

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

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

- Summary of Actuarial Assumptions
- Percent Retiring Within Next Year
- Probabilities of Becoming Disabled Within Next Year
- Percent Separating Within Next Year
- Individual Employee Pay Increases
- Retiree and Beneficiary Reconciliation
- Retiree and Beneficiary Age Distribution
- Active Members by Valuation Group
- Active Members Age and Service Distribution
- Historical Summary of Active Member Data
- Summary of Membership by Category
- Distribution of Retired Members by Year of Service
- Distribution of Retired Members by Type of Benefit

The Board of Trustees
November 1, 2012
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- Analysis of Financial Experience
- Schedule of Funding Progress
- Solvency Test
- Schedule of Employer Contributions

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

Assets are valued on a market related basis that recognizes each year's difference between actual and assumed investment return over a closed five year period.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The actuarial funding method is the Individual Entry Age Actuarial Cost Method, in compliance with NHRS State Statutes. The assumptions and the methods comply with the requirements of Statements No. 25 and No. 43 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. Actuarial methods and assumptions were adopted by the Board pursuant to the June 30, 2010 Experience Study

We certify that the information contained in the June 30, 2012 interim actuarial valuation report of the NHRS is accurate and fairly presents the actuarial position of the New Hampshire Retirement System as of June 30, 2012. 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.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

The actuaries submitting this report are independent of the plan sponsor, are Members of the American Academy of Actuaries (M.A.A.A.), and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,

David T Kausch

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

Randall J. Dziubek, A.S.A., M.A.A.A.

Heidi G Barry

Heidi G. Barry, A.S.A., M.A.A.A.

Gabriel Roeder Smith & Company

Summary of Actuarial Assumptions And Methods

The actuarial methods and assumptions that were used in the development of the June 30, 2012 interim actuarial valuation are as follows. The June 30, 2012 interim actuarial valuation is not used to determine employer contributions.

VALUATION METHODS

PENSION

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

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

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

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

Financing of Unfunded Actuarial Accrued Liabilities — unfunded actuarial accrued liabilities are amortized by level (principal and interest combined) percent-of-payroll contributions over 24 years from the contribution effective date of July 1, 2015.

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

DEVELOPMENT OF AMORTIZATION PAYMENT

The employer contribution rate determined by the June 30, 2012 interim valuation is illustrative for the 2016–17 biennium. 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 24 year period beginning on July 1, 2015. This UAAL payment reflects any payments expected to be made and interest to be accrued 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, 2011 valuation effective from July 1, 2013 to June 30, 2015 would be contributed to the net pension assets. Actual contribution rates for the 2016–17 biennium will be based on the June 30 2013 valuation.

ECONOMIC ASSUMPTIONS

The investment return rate assumed in the valuation is 7.75% per year, compounded annually (net after investment expenses). The investment return rate assumed in the health valuations is 3.75% per year, compounded annually (net after investment expenses).

The wage inflation rate assumed in this valuation was 3.75% 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.

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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 3.0% 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 7.75% 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 4.75%, 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 — 3.75% per year.

Pay increase assumptions for individual active members are shown for sample ages on pages 75–79. Part of the assumption for each age is for merit and/or seniority increase, and the other 3.75% recognizes wage inflation, including price inflation, productivity increases, and other macro economic forces.

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, 2012 interim 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	It is assumed that 25% of members who quit before retirement with 10–15 years of service will elect to refund and forfeit their pension.
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 9.0%, 7.0%, 12.0%, and 12.0% for Employees, Teachers, Police, and Fire respectively to account for lump sum payments. Members hired after July 1, 2011 or who have non-vested status as of January 1, 2012 are assumed to have no adjustment for end of career payments.
Marriage Assumption	Group I: 70% of males and 70% 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.
Data Adjustments	For the June 30, 2012 interim valuation, new active member pays were annualized.
Medical Subsidy	The solvency rate for the medical subsidy benefits were determined to provide an estimated margin of 20% of the benefits payable in the year ending at the end of the pertinent biennium.

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	Years of Service	Men	Women	Men	Women	Men	Women
	0	30.00%	30.00%				
	1	22.00	22.00				
	2	16.00	16.00				
	3	12.00	12.00				
	4	8.00	8.00				
25	5+	5.00	8.00	.04%	.02%	.02%	.01%
30		5.00	8.00	.04	.02	.02	.02
35		5.00	5.60	.05	.03	.03	.02
40		5.00	5.60	.08	.04	.08	.05
45		5.00	5.60	.12	.06	.15	.09
50		5.00	4.40	.18	.08	.25	.19
55		5.00	4.00	.25	.13	.43	.35
60		5.00	4.00	—	—	—	—

	Annual Rate of Normal Retirement			
	For Members Hired Prior to July 1, 2011		For Members Hired On or After July 1, 2011	
Age	Men	Women	Men	Women
60	12.00%	12.00%	—	—
61	12.00	12.00	—	—
62	17.00	15.00	—	—
63	16.00	15.00	—	—
64	15.00	15.00	—	—
65	15.00	20.00	46.00%	45.00%
66	25.00	20.00	46.00	45.00
67	20.00	20.00	20.00	20.00
68	20.00	16.00	20.00	16.00
69	20.00	17.00	20.00	17.00
70	100.00	100.00	100.00	100.00

*98% are assumed to be ordinary death and 2% are assumed to be accidental death.
**50% are assumed to be ordinary disability and 50% are assumed to be accidental disability.

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

Service Index	Merit & Seniority	Base	Annual Rate of Salary Increases
1	7.55%	3.75%	11.30%
2	5.25	3.75	9.00
3	3.55	3.75	7.30
4	2.25	3.75	6.00
5	1.75	3.75	5.50
6	1.55	3.75	5.30
7–25	0.75	3.75	4.50

DEATHS AFTER RETIREMENT:

	MORTALITY RATE			MORTALITY RATE	
AGE	MEN	WOMEN	AGE	MEN	WOMEN
35	.07%	.04%	60	.49%	.46%
40	.09	.05	65	.96	.88
45	.12	.08	70	1.64	1.52
50	.15	.12	75	2.85	2.39
55	.25	.23	80	5.27	3.99

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	Years of Service	Men	Women	Men	Women	Men	Women
	0	35.00%	33.00%				
	1	17.00	18.00				
	2	14.00	13.00				
	3	10.00	11.00				
	4	8.00	9.00				
25	5+	3.50	4.50	.01%	.01%	.01%	.00%
30		3.50	4.50	.02	.01	.01	.00
35		3.50	4.50	.03	.02	.01	.00
40		3.50	4.50	.04	.02	.02	.02
45		3.50	4.50	.05	.03	.04	.02
50		3.50	4.50	.07	.05	.08	.05
55		3.50	4.50	.11	.09	.18	.14
60		3.50	4.50	—	—	—	—

*98% are assumed to be ordinary death and 2% are assumed to be accidental death.
**50% are assumed to be ordinary disability and 50% are assumed to be accidental disability.

	Annual Rate of Normal Retirement			
	For Members Hired Prior to July 1, 2011		For Members Hired On or After July 1, 2011	
Age	Men	Women	Men	Women
60	20.50%	17.00%	—	—
61	22.00	18.00	—	—
62	23.00	22.00	—	—
63	24.00	23.00	—	—
64	25.00	24.00	—	—
65	26.00	25.00	60.00%	60.00%
66	27.00	30.00	50.00	60.00
67	28.00	24.00	40.00	24.00
68	29.00	28.00	30.00	28.00
69	30.00	29.00	30.00	29.00
70	100.00	100.00	100.00	100.00

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

Service Index	Merit & Seniority	Base	Annual Rate of Salary Increases
1	6.00%	3.75%	9.75%
2	4.00	3.75	7.75
3	3.00	3.75	6.75
4	2.50	3.75	6.25
5	2.50	3.75	6.25
6	2.20	3.75	5.95
7	1.70	3.75	5.45
8	1.40	3.75	5.15
9	1.20	3.75	4.95
10	1.20	3.75	4.95
11	1.00	3.75	4.75
12	1.00	3.75	4.75
13–22	0.80	3.75	4.55
23–25	0.70	3.75	4.45

DEATHS AFTER RETIREMENT:

	MORTALITY RATE			MORTALITY RATE	
AGE	MEN	WOMEN	AGE	MEN	WOMEN
35	.07%	.04%	60	.49%	.46%
40	.09	.05	65	.96	.88
45	.12	.08	70	1.64	1.52
50	.15	.12	75	2.85	2.39
55	.25	.23	80	5.27	3.99

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	Years of Service	Men	Women	Men	Women	Men	Women
	0	30.00%	40.00%				
	1	15.00	17.00				
	2	9.00	14.00				
	3	6.00	11.00				
	4	4.00	9.00				
25	5+	4.00	4.00	.01%	.01%	.04%	.02%
30		4.00	4.00	.02	.01	.04	.02
35		4.00	4.00	.03	.01	.08	.05
40		4.00	4.00	.03	.02	.18	.12
45		4.00	4.00	.04	.03	.32	.21
50		4.00	4.00	.06	.05	.50	.34
55		4.00	4.00	.09	.09	.75	.50
60		4.00	4.00	—	—	—	—

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

Service Index	Merit & Seniority	Base	Annual Rate of Salary Increases
1	20.40%	3.75%	24.15%
2	10.40	3.75	14.15
3	7.90	3.75	11.65
4	5.40	3.75	9.15
5	2.90	3.75	6.65
6	2.90	3.75	6.65
7	1.20	3.75	4.95
8	0.90	3.75	4.65
9–10	0.70	3.75	4.45
11–12	0.60	3.75	4.35
13–20	0.50	3.75	4.25
21–25	0.40	3.75	4.15

DEATHS AFTER RETIREMENT:

	MORTALITY RATE			MORTALITY RATE	
AGE	MEN	WOMEN	AGE	MEN	WOMEN
35	.07%	.04%	60	.49%	.46%
40	.09	.05	65	.96	.88
45	.12	.08	70	1.64	1.52
50	.15	.12	75	2.85	2.39
55	.25	.23	80	5.27	3.99

NORMAL RETIREMENT

For Members Hired Prior to July 1, 2011 Who Have Vested Status as of January 1, 2012		For Members Hired on or After July 1, 2011 and for Members Hired Prior to July 1, 2011 Who Have Non-Vested Status as of January 1, 2012				
Retirement Ages	% of Active Members Retiring Within Next Year	Age 46 with 21 years	Age 47 with 22 years	Age 48 with 23 years	Age 49 with 24 years	Age 50 with 25 years
45	25%					
46	25%	28%				
47	25%	28%	35%			
48	25%	28%	35%	35%		
49	25%	28%	30%	35%	40%	
50	25%	28%	30%	35%	40%	50%
51	25%	28%	30%	35%	40%	50%
52	25%	28%	30%	35%	40%	50%
53	30%	30%	30%	35%	35%	35%
54	30%	30%	30%	35%	35%	35%
55	30%	30%	30%	30%	35%	35%
56	25%	25%	25%	25%	25%	25%
57	25%	25%	25%	25%	25%	25%
58	30%	30%	30%	30%	30%	30%
59	25%	25%	25%	25%	25%	25%
60	25%	25%	25%	25%	25%	25%
61	20%	20%	20%	20%	20%	20%
62	20%	20%	20%	20%	20%	20%
63	25%	25%	25%	25%	25%	25%
64	25%	25%	25%	25%	25%	25%
65	25%	25%	25%	25%	25%	25%
66	100%	100%	100%	100%	100%	100%

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	Years of Service	Men	Women	Men	Women	Men	Women
	0	8.00%	8.00%				
	1	6.00	6.00				
	2	4.50	4.50				
	3	3.00	3.00				
	4	2.00	2.00				
25	5+	1.50	1.50	.01%	.00%	.04%	.02%
30		1.50	1.50	.01	.01	.05	.02
35		1.50	1.50	.02	.01	.06	.02
40		1.50	1.50	.02	.01	.11	.07
45		1.50	1.50	.03	.02	.23	.08
50		1.50	1.50	.04	.03	.54	.33
55		1.50	1.50	.06	.06	1.21	.33
60		1.50	1.50	—	—	—	—

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

Service Index	Merit & Seniority	Base	Annual Rate of Salary Increases
1	20.80%	3.75%	24.55%
2	10.80	3.75	14.55
3	8.30	3.75	12.05
4	5.80	3.75	9.55
5	3.30	3.75	7.05
6	3.30	3.75	7.05
7	1.60	3.75	5.35
8	1.30	3.75	5.05
9–10	1.10	3.75	4.85
11–12	1.00	3.75	4.75
13–20	0.90	3.75	4.65
21–25	0.80	3.75	4.55

DEATHS AFTER RETIREMENT:

	MORTALITY RATE			MORTALITY RATE	
AGE	MEN	WOMEN	AGE	MEN	WOMEN
35	.07%	.04%	60	.49%	.46%
40	.09	.05	65	.96	.88
45	.12	.08	70	1.64	1.52
50	.15	.12	75	2.25	2.39
55	.25	.23	80	5.27	3.99

NORMAL RETIREMENT

For Members Hired Prior to July 1, 2011 Who Have Vested Status as of January 1, 2012		For Members Hired on or After July 1, 2011 and for Members Hired Prior to July 1, 2011 Who Have Non-Vested Status as of January 1, 2012				
Retirement Ages	% of Active Members Retiring Within Next Year	Age 46 with 21 years	Age 47 with 22 years	Age 48 with 23 years	Age 49 with 24 years	Age 50 with 25 years
45	15%					
46	12%	15%				
47	12%	15%	17%			
48	12%	15%	17%	21%		
49	12%	15%	17%	21%	25%	
50	15%	15%	18%	21%	25%	32%
51	15%	15%	18%	21%	25%	32%
52	15%	15%	18%	21%	25%	32%
53	25%	25%	25%	25%	25%	25%
54	20%	20%	20%	20%	20%	20%
55	30%	30%	30%	30%	30%	30%
56	30%	30%	30%	30%	30%	30%
57	25%	25%	25%	25%	25%	25%
58	25%	25%	25%	25%	25%	25%
59	25%	25%	25%	25%	25%	25%
60	25%	25%	25%	25%	25%	25%
61	40%	40%	40%	40%	40%	40%
62	30%	30%	30%	30%	30%	30%
63	30%	30%	30%	30%	30%	30%
64	30%	30%	30%	30%	30%	30%
65	100%	100%	100%	100%	100%	100%

Historical Membership Data — Active and Retired

The following 4 tables summarize the actuarial valuation data for the period from 2005 through 2011. Valuations are prepared biennially. An interim valuation was prepared in fiscal year 2008, 2010 and in fiscal year 2012.

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
2012	24,747	$1,076,831	$ 43,514	(0.23%)
2011	25,539	1,113,867	43,614	3.68%
2010	25,987	1,093,147	42,065	2.72%
2009	26,352	1,079,157	40,952	7.47%
2008	26,507	1,010,032	38,104	7.05%
2007	26,474	942,319	35,594	6.91%

RETIRED MEMBERSHIP DATA

	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR		
FISCAL YEAR	NO.*	ANNUAL** ALLOWANCES (IN DOLLARS)	NO.*	ANNUAL** ALLOWANCES (IN DOLLARS)	NO.*	ANNUAL** ALLOWANCES	% INCREASE IN ANNUAL ALLOWANCES
2012	1,111	$14,711	457	$4,890	14,141	$178,056	5.84%
2011	1,113	16,521	428	4,578	13,487	168,235	7.64%
2010	1,070	18,300	460	4,624	12,802	156,292	9.59%
2009	934	14,703	322	3,864	12,192	142,616	8.23%
2008	1,083	17,897	362	4,199	11,580	131,777	11.60%
2007	1,465	22,691	579	5,471	10,859	118,079	17.07%

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
2012	18,161	$1,036,605	$ 57,079	1.70%
2011	18,466	1,036,376	56,123	2.28%
2010	18,603	1,020,745	54,870	2.30%
2009	18,709	1,003,514	53,638	3.73%
2008	18,509	957,068	51,708	3.59%
2007	18,477	922,308	49,917	8.28%

RETIRED MEMBERSHIP DATA

	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR		
FISCAL YEAR	NO.*	ANNUAL** ALLOWANCES (IN DOLLARS)	NO.*	ANNUAL** ALLOWANCES (IN DOLLARS)	NO.*	ANNUAL** ALLOWANCES	% INCREASE IN ANNUAL ALLOWANCES
2012	712	$16,420	183	$5,150	9,956	$212,259	5.61%
2011	504	10,402	164	3,644	9,427	200,989	3.48%
2010	849	22,231	269	5,199	9,087	194,231	9.61%
2009	1,001	26,668	148	3,214	8,507	177,199	15.26%
2008	891	23,743	165	4,238	7,654	153,745	14.53%
2007	1,254	29,350	230	4,004	6,928	134,240	23.28%
2005	1,121	21,842	344	4,591	5,904	108,894	24.34%

* Includes beneficiaries in receipt but excludes deferred vested terminations.

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

*** Excludes temporary inactive members.

POLICE OFFICERS (aggregate compensation and annual allowance dollars in thousands)

ACTIVE MEMBERSHIP DATA

FISCAL YEAR	NUMBER OF ACTIVES***	AGGREGATE COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
2012	4,118	$ 261,865	$ 63,590	1.20%
2011	4,130	259,509	62,835	2.86%
2010	4,231	258,472	61,090	2.27%
2009	4,318	257,934	59,735	5.92%
2008	4,332	244,314	56,398	3.03%
2007	4,263	233,348	54,738	13.03%

RETIRED MEMBERSHIP DATA

	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR		
FISCAL YEAR	NO.*	ANNUAL** ALLOWANCES (IN DOLLARS)	NO.*	ANNUAL** ALLOWANCES (IN DOLLARS)	NO.*	ANNUAL** ALLOWANCES	% INCREASE IN ANNUAL ALLOWANCES
2012	171	$ 6,977	70	$1,008	2,981	$103,533	6.12%
2011	237	10,730	59	1,133	2,880	97,564	10.46%
2010	189	7,711	52	1,413	2,702	88,327	7.68%
2009	157	7,235	28	627	2,565	82,029	8.76%
2008	179	8,504	36	1,376	2,436	75,421	10.44%
2007	361	14,045	80	1,540	2,293	68,293	22.42%

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
2012	1,599	$ 112,456	$ 70,329	4.36%
2011	1,603	108,028	67,391	1.75%
2010	1,646	109,020	66,233	1.67%
2009	1,653	107,682	65,144	10.25%
2008	1,640	96,907	59,090	(3.63%)
2007	1,588	97,365	61,313	7.70%

RETIRED MEMBERSHIP DATA

	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR		
FISCAL YEAR	NO.*	ANNUAL** ALLOWANCES (IN DOLLARS)	NO.*	ANNUAL** ALLOWANCES (IN DOLLARS)	NO.*	ANNUAL** ALLOWANCES	% INCREASE IN ANNUAL ALLOWANCES
2012	79	$3,105	39	$ 495	1,376	$50,170	5.49%
2011	111	5,051	29	696	1,336	47,560	10.08%
2010	53	2,490	36	766	1,254	43,205	4.16%
2009	60	2,628	23	644	1,237	41,481	5.02%
2008	63	3,456	31	1,110	1,200	39,497	6.31%
2007	131	7,404	24	1,066	1,168	37,151	20.57%

* 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)

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)
2012	$2,773,081	$5,246,672	$2,341,847	$ 5,817,882	100.00%	58.00%	0.00%
2011	$2,631,430	$4,959,865	$2,406,956	$5,740,516	100.00%	63.00%	0.00%
2010	$2,553,612	$4,378,205	$2,022,115	$5,233,838	100.00%	61.00%	0.00%
2009	$2,393,635	$4,012,274	$2,069,143	$4,937,320	100.00%	63.00%	0.00%
2008	$2,312,069	$3,618,118	$1,891,129	$5,302,034	100.00%	83.00%	0.00%
2007	$2,228,853	$3,210,280	$1,820,582	$4,862,256	100.00%	82.00%	0.00%

EMPLOYEES

(dollars in thousands)

Fiscal Year	(1) Aggregate Member Contributions	Projected Liabilities For (2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits (1)	(2)	(3)
2012	$1,052,106	$1,641,026	$ 756,255	$1,877,395	100.00%	50.00%	0.00%
2011	$ 995,389	$1,548,109	$ 810,983	$1,834,609	100.00%	54.00%	0.00%
2010	$ 955,735	$1,344,902	$ 680,958	$1,721,002	100.00%	57.00%	0.00%
2009	$ 899,364	$1,217,430	$ 666,232	$1,600,150	100.00%	58.00%	0.00%
2008	$ 837,375	$1,124,075	$ 581,109	$1,696,189	100.00%	76.00%	0.00%
2007	$ 797,627	$ 997,992	$ 528,538	$1,539,196	100.00%	74.31%	0.00%

TEACHERS

(dollars in thousands)

Fiscal Year	(1) Aggregate Member Contributions	Projected Liabilities For (2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits (1)	(2)	(3)
2012	$1,101,262	$1,999,152	$ 949,670	$2,173,315	100.00%	50.00%	0.00%
2011	$1,041,699	$1,893,862	$ 973,407	$2,153,182	100.00%	59.00%	0.00%
2010	$ 998,775	$1,770,635	$ 783,710	$2,049,651	100.00%	59.00%	0.00%
2009	$ 926,049	$1,608,341	$ 855,367	$1,957,103	100.00%	64.00%	0.00%
2008	$ 943,611	$1,387,605	$ 828,084	$2,114,543	100.00%	84.00%	0.00%
2007	$ 925,813	$1,200,541	$ 797,922	$1,925,913	100.00%	83.30%	0.00%

* 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 2007 to current.

NOTE: Based on a 7.75% interest rate for fiscal year 2011, and an 8.5% interest rate for fiscal years 2007 to 2010.

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POLICE OFFICERS

(dollars in thousands)

Fiscal Year	Projected Liabilities For: (1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits: (1)	(2)	(3)
2012	$411,672	$1,092,005	$949,670	$1,189,308	100.00%	71.00%	0.00%
2011	$396,344	$1,030,900	$432,256	$1,179,798	100.00%	76.00%	0.00%
2010	$397,440	$ 851,136	$386,621	$ 997,325	100.00%	70.00%	0.00%
2009	$381,273	$ 790,433	$378,409	$ 940,825	100.00%	71.00%	0.00%
2008	$359,611	$ 727,584	$339,186	$1,014,088	100.00%	90.00%	0.00%
2007	$344,485	$ 655,803	$339,086	$ 934,744	100.00%	90.01%	0.00%

FIREFIGHTERS

(dollars in thousands)

Fiscal Year	Projected Liabilities For: (1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*	Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits: (1)	(2)	(3)
2012	$208,041	$514,489	$203,805	$577,864	100.00%	72.00%	0.00%
2011	$197,998	$486,994	$190,310	$572,927	100.00%	77.00%	0.00%
2010	$201,661	$411,532	$170,827	$465,861	100.00%	64.00%	0.00%
2009	$186,949	$396,070	$169,135	$439,241	100.00%	64.00%	0.00%
2008	$171,471	$378,854	$142,751	$477,214	100.00%	81.00%	0.00%
2007	$160,927	$355,944	$155,036	$462,403	100.00%	84.70%	0.00%

* 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 2007 to current.

NOTE: Based on a 7.75% interest rate for fiscal year 2011, and an 8.5% interest rate for fiscal years 2007 to 2010.

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 2011	June 30 2009	June 30 2007	June 300 2005
Projected Normal Rate*	10.71%	9.09%	8.74%	6.06%
Decremental Experience	—	—	—	.02
Pensioner's Experience	—	—	—	.02
Excess Salary Increases	—	—	—	(.01)
Method Change	—	—	0.98	—
Effect of Legislation	(1.95%)	(0.15%)	(0.57)	—
Asset (Gains)/Losses	0.31%	1.18%	(0.36)	.79
Current New Entrants	—	—	—	.04
Amendments	—	—	—	—
Target Rate System Experience	—	—	—	1.03
Assumption Changes	1.01%	—	0.41	.39
Other (Gains)/Losses	0.36%	0.59%	(0.11)	.40
ACTUAL NORMAL RATE	**10.44%**	**10.71%**	**9.09%**	**8.74%**

TEACHERS

YEAR ENDED	June 30 2011	June 30 2009	June 30 2007	June 30 2005
Projected Normal Rate *	11.51%	9.38%	8.93%	4.67%
Decremental Experience	—	—	—	(.01)
Pensioner's Experience	—	—	—	—
Excess Salary Increases	—	—	—	.09
Method Change	—	—	0.82	—
Effect of Legislation	(2.27%)	—	(0.72)	—
Asset (Gains)/Losses	0.39%	1.55%	(0.46)	1.52
Current New Entrants	—	—	—	.02
Amendments	—	—	—	—
Target Rate System Experience	—	—	—	1.14
Assumption Changes	2.05%	—	0.80	.90
Other (Gains)/Losses	0.28%	0.58%	0.01	.60
ACTUAL NORMAL RATE	**11.96%**	**11.51%**	**9.38%**	**8.93%**

* 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 2011	June 30 2009	June 30 2007	June 30 2005
Projected Normal Rate *	22.92%	17.34%	18.21%	12.33%
Decremental Experience	—	—	—	.38
Pensioner's Experience	—	—	—	.01
Excess Salary Increases	—	—	—	(.12)
Method Change	—	—	1.11	—
Effect of Legislation	(7.15%)	—	(2.17)	—
Asset (Gains)/Losses	0.85%	2.89%	(0.90)	1.85
Current New Entrants	—	—	—	.16
Amendments	—	—	—	—
Target Rate System Experience	—	—	—	1.47
Assumption Changes	4.00%	—	0.31	2.08
Other Asset (Gains)/Losses	0.73%	2.69%	0.78	.05
ACTUAL NORMAL RATE	**21.35%**	**22.92%**	**17.34%**	**18.21%**

FIREFIGHTERS

YEAR ENDED	June 30 2011	June 30 2009	June 30 2007	June 30 2005
Projected Normal Rate *	28.25%	22.52%	24.49%	16.31%
Decremental Experience	—	—	—	.04
Pensioner's Experience	—	—	—	(.06)
Excess Salary Increases	—	—	—	.17
Method Change	—	—	2.48	—
Effect of Legislation	(8.58%)	—	(2.61)	—
Asset (Gains)/Losses	0.99%	3.24%	(1.05)	2.23
Current New Entrants	—	—	—	.14
Amendments	—	—	—	—
Target Rate System Experience	—	—	—	6.22
Assumption Changes	3.39%	—	0.21	(.32)
Other Asset (Gains)/Losses	(0.26%)	2.49%	(1.00)	(.24)
ACTUAL NORMAL RATE	**23.79%**	**28.25%**	**22.52%**	**24.49%**

* Based on forecast valuations.

Summary of Principal Plan Provisions As Interpreted For Valuation Purposes

1—GENERAL

Legal Plan Name

New Hampshire Retirement System.

Effective Date

July 1, 1967.

Membership

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

Average Final Compensation (AFC)

Average annual earnable compensation during highest 3 years of creditable service. For active members who commenced service on or after July 1, 2011 or who have non-vested status on or after January 1, 2012 — Average annual earnable compensation during the highest 5 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 (age 65 for members commencing service on or after July 1, 2011).

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. (1/66 of AFC times creditable service for members commencing service on or after July 1, 2011.)

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 (age 60 with 30 years of creditable service for members commencing service on or after July 1, 2011).

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%

For members commencing service on or after July 1, 2011, normal retirement benefit is reduced 1/4 or 1% for each month prior to age 65.

Ordinary Disability Retirement

Eligibility

10 years of service and permanent disability.

Amount of Benefit

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

Accidental Disability Retirement

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

Ordinary Death Benefit

Eligibility

Death, other than accidental death.

Amount of Benefit

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

(i) if survived by a spouse, 50% of the service retirement benefit payable until death or remarriage;

(ii) if no surviving spouse or member designated a beneficiary other than a spouse, a lump sum equal to the greater of $3,600 or the member's annual compensation.

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

Accidental Death Benefit

Eligibility	Accidental death occurring while in the performance of duty.
Amount of Benefit	Benefit equal to 50% of AFC.

Vested Deferred Retirement

Eligibility	10 years of service, if no withdrawal of contributions.
Amount of Benefit	Payable at age 60, a member annuity plus a state annuity which together equals the service retirement benefit that would be payable after age 60. The benefit changes at age 65 as for service retirement. At any time after attainment of age 50 (age 60 for members hired on or after July 1, 2011), 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 of creditable service or age 60 (age 50 with 25 years of creditable service or age 60 for members commencing service on or after July 1, 2011).

Amount of Benefit

A member annuity that is the actuarial equivalent of the member's accumulated contributions plus a state annuity.

The state annuity, together with the member annuity, shall be equal to 2-1/2% of AFC times creditable service up to 40 years (2% of AFC times creditable service up to 42.5 years for members commencing service on or after July 1, 2011). However, a member who commenced service on or after July 1, 2011 shall not receive a service retirement allowance until attaining the age of 52.5.

Members hired prior to July 1, 2011 who have non-vested status as of January 1, 2012 shall be subject to the following transition provisions for years of service required for regular service retirement, the minimum age for regular service retirement, and the multiplier used to calculate the retirement annuity, which shall be applicable on January 1, 2012 according to the following table:

Creditable Service on January 1, 2012	Minimum Years of Service	Minimum Age Attained	Annuity Multiplier
(1) Less than 4 years	24 Years	Age 49	2.1%
(2) At least 4 years but less than 6 years	23 Years	Age 48	2.2%
(3) At least 6 years but less than 8 years	22 Years	Age 47	2.3%
(4) At least 8 years but less than 10 years	21 Years	Age 46	2.4%

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.

Reduced Service Retirement

Eligibility

Members commencing service on or after July 1, 2011 after age 50 with at least 25 years of creditable service.

Amount of Benefit

The allowance shall be reduced for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age, by 1/4 of 1%.

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	Members hired prior to July 1, 2011 who have vested status as of January 1, 2012 are eligible for an accidental disability benefit and shall receive a benefit equal to 2/3 of AFC. If a member has more than 26-2/3 years of service, the member will receive a supplemental disability benefit equal to 2-1/2% of AFC times years of creditable service in excess of 26-2/3 years but not in excess of 40 years. Members commencing service on or after July 1, 2011 are eligible for an accidental disability benefit and shall receive a benefit equal to 2/3 of AFC. If a member has more than 33-1/3 years of service, the member will receive a supplemental disability benefit equal to 2% of AFC times years of creditable service in excess of 33-1/3 years but not in excess of 42.5 years. Members hired prior to July 1, 2011 who have non-vested status as of January 1, 2012 are eligible for an accidental disability benefit and shall receive a benefit equal to 2/3 of AFC. The calculation of the supplemental allowance shall be as provided in the transition provisions with the number of years for the supplement adjusted proportionally.

Ordinary Death Benefit	
Eligibility	Death other than accidental death.
Amount of Benefit	(a) If 10 years service or if eligible for service retirement and, (i) if survived by a spouse, 50% of the service retirement benefit payable until death or remarriage. (ii) if no surviving spouse or member designated a beneficiary other than a spouse, a lump sum equal to the greater of $3,600 or member's annual compensation. (b) If less than 10 years service and not eligible for service retirement, a lump sum equal to the greater of $3,600 or the member's annual compensation.

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

Death after Retirement	Retirement Prior to April 1, 1987
	Lump sum of $3,600 unless accidental disability retirement, then surviving spouse receives 50% of the retired member's disability benefits payable until death or remarriage.
	Retirement on or after April 1, 1987
	Benefit payable to surviving spouse until death or remarriage equal to 50% of the member's service, ordinary disability or accidental disability retirement allowance if member was married on the date of retirement plus a lump sum. The lump sum shall be equal to:

If retired prior to July 1, 1988:	$ 3,600
If retired on or after July 1, 1988:	
If Group II member as of June 30, 1988	$10,000
If becomes a Group II member after June 30, 1988 and prior to July 1, 1993	$ 3,600

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

Vested Deferred Retirement

Eligibility 10 years of service, if no withdrawal of contributions.

Amount of Benefit A benefit determined as for service retirement payable when the member would be age 45 with 20 years of service or age 60 if earlier.

Return of Members' Contributions

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

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

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

(d) Upon death of the survivor of a member retired on accidental disability and his spouse in receipt of the accidental disability survivor benefit, the excess of the member's accumulated contributions at retirement over the benefits received by the member and the spouse will be paid to the beneficiary or estate.

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

Benefits for Call Firefighters

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

Accidental Death Annual benefit not to exceed $1,250 if death as a result of injury received while in the performance of duty. Paid to spouse until death or remarriage, then to children until age 18 or if no spouse or children under 18, to the dependent parent.

Death after Accidental Disability Upon death of a call firefighter receiving accidental disability benefits, the benefit will continue to be paid to the spouse until death or remarriage, then to children under age 18.

3—CONTRIBUTIONS

GROUP I MEMBERS (EMPLOYEES AND TEACHERS)

By Members 7.0% of earnable compensation. Interest on member contributions shall be 2 percentage points less than either the most recent Board of Trustees approved assumed rate of return determined under RSA 100-A:16, II(h) or the actual rate of return, whichever is lower.

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. For fiscal year 2012, local employers paid all but $2.2 million of the normal contributions for their employees.

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. For fiscal year 2012, the State contributed $2.2 million toward the normal contribution cost for teachers.

GROUP II MEMBERS (POLICE OFFICERS AND FIREFIGHTERS)

By Members

Firefighters 11.80% of earnable compensation.

Police Officers 11.55% 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. For fiscal year 2012 local employers contributed all but $1.3 million toward normal contributions for their employees.

By the State For fiscal year 2009, 35% of the normal contribution rate for police officers and firefighters employed by local employers, plus 35% of accrued liability on same, if any. For fiscal years 2010 and 2011, the State will contribute 30% and 25%, respectively, for police officers and firefighters employed by local employers, plus the same 30% and 25% rate for accrued liability on the same, if any. In the case of Group II members employed by the State, the State shall pay 100% of both the normal and accrued liability contributions, if any. For fiscal year 2012, the State contributed $1.3 million toward the normal contribution cost for police officers and firefighters of local employers.

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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 amounts above will not increase.

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

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

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

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

NEW HAMPSHIRE RETIREMENT SYSTEM

Statistical Section

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Statistical Section
Summary

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

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

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

The investment climate over the past decade has been volatile. Investment returns for fiscal year 2012 (0.9%) and fiscal year 2011 (23.0%) have offset most of the losses experienced during the economic crisis and recession of fiscal years 2008–2009. Although investment returns were positive overall for the decade, net investment income did not achieve the assumed investment return assumption for that period. In absolute dollars, employer contributions to the pension plan have risen 330% over the decade and member contributions to the pension plan have risen 70% over the same period. Pension benefits rose 124% over the decade. Similar increases have been experienced in OPEB contributions and benefits.

The number of NHRS retirees continues to grow along with the average annual benefits amounts paid out. The active membership rolls have remained fairly static throughout the decade but have declined slightly in fiscal years 2012 and 2011 reflecting the constrained economic environment. The number of participating employers remains stable.

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CHANGES IN NET ASSETS — PENSION PLAN LAST TEN FISCAL YEARS

	FY 2012	FY 2011	FY 2010	FY 2009
Additions:				
Employer Contributions	$254,557	$ 274,582	$ 269,677	$196,214
Member Contributions	199,593	152,412	149,512	142,528
Net Investment Income (Loss)	33,086	1,121,460	546,492	(962,057)
Postemployment Medical Plan Transfers on Behalf of Employers	—	—	—	—
Net Asset Transfers	—	—	89,505	—
Other	(13,275)	13,399	(1,292)	622
Total Additions to Plan Net Assets	**$473,961**	**$1,561,853**	**$1,053,894**	**($622,693)**
Deductions:				
Pension Benefits	$547,051	$ 519,970	$ 490,075	$ 452,380
Refunds of Contributions	26,535	22,830	21,851	24,204
Net Asset Transfers	—	—	—	—
Administrative Expense	6,261	7,312	6,391	6,968
Professional Fees	1,162	1,425	1,205	1,372
Other	50	743	1,776	2,331
Total Deductions from Plan Net Assets	**$581,059**	**$ 552,280**	**$ 521,298**	**$ 487,255**
Change in Plan Net Assets	**($107,098)**	**$1,009,573**	**$ 532,596**	**($1,109,948)**

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

	FY 2012	FY 2011	FY 2010	FY 2009
Additions:				
Employer Contributions	$14,683	$ 8,355	$ 8,143	$18,707
Net Investment Income (Loss)	(9)	3,333	12,876	(21,012)
Net Asset Transfers	—	—	—	—
Interest Income	190	—	—	—
Other	3	40	(30)	14
Total Additions to Plan Net Assets	**$14,867**	**$11,728**	**$ 20,989**	**($ 2,291)**
Deductions:				
Benefits Paid	$16,231	$16,019	$ 15,916	$15,688
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	—	—	—	—
Net Asset Transfers	—	—	89,505	—
Administrative Expense	(2)	22	151	152
Professional Fees	—	5	28	30
Other	—	2	42	51
Total Deductions from Plan Net Assets	**$16,229**	**$16,048**	**$105,642**	**$15,921**
Change in Plan Net Assets	**($ 1,362)**	**($ 4,320)**	**($ 84,653)**	**($18,212)**

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(in thousands)

FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
$188,197	$ 120,438	$109,372	$ 89,459	$ 80,557	$ 59,172
157,985	272,369	147,821	145,706	129,087	117,412
(284,095)	769,701	417,927	373,602	500,511	47,862
—	58,201	61,449	43,595	43,083	29,305
—	295,392	—	—	—	—
1,721	86	745	1,198	817	890
$ 63,808	**$1,516,187**	**$737,314**	**$653,560**	**$754,055**	**$254,641**
$391,929	$ 344,851	$316,637	$291,915	$267,007	$244,725
32,297	34,080	29,382	19,991	16,781	15,223
—	—	—	—	—	—
6,691	5,607	4,799	4,314	4,924	4,619
1,382	665	965	705	625	606
1,910	1,775	1,807	3,313	2,003	1,830
$434,209	**$ 386,978**	**$353,590**	**$320,238**	**$291,340**	**$267,003**
($370,401)	**$1,129,209**	**$383,724**	**$333,322**	**$462,715**	**($ 12,362)**

(in thousands)

FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
$17,369	$ 18,078	$20,891	$14,834	$15,148	$ 8,011
(5,895)	40,736	23,545	21,638	30,096	2,435)
—	—		1,678	1,688	1,551
—	—	—	—	—	—
36	2	75	129	95	81
$11,510	**$ 58,816**	**$44,511**	**$38,279**	**$47,027**	**$12,078**
$15,229	$ 13,672	$12,374	$11,209	$10,104	$ 8,997
—	18,078	20,891	14,834	15,148	8,011
—	160,377	—	—	—	—
139	295	277	261	309	165
29	25	87	60	52	28
40	90	135	106	22	15
$15,437	**$192,537**	**$33,764**	**$ 26,470**	**$25,635**	**$17,216**
($ 3,927)	**($133,721)**	**$10,747**	**$ 11,809**	**$21,392**	**($ 5,138)**

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

	FY 2012	FY 2011	FY 2010	FY 2009
Additions:				
Employer Contributions	$24,021	$13,790	$13,614	$22,998
Net Investment Income (Loss)	—	314	2,662	(3,701)
Net Asset Transfers	—	—	—	—
Other	—	4	(6)	2
Total Additions to Plan Net Assets	**$24,021**	**$14,108**	**$16,270**	**$19,299**
Deductions:				
Benefits Paid	$25,856	$26,766	$26,779	$24,489
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	—	—	—	—
Net Asset Transfers	—	—	—	—
Administrative Expense	—	2	31	27
Professional Fees	—	—	6	5
Interest Expense	921	—	—	—
Other	—	—	9	9
Total Deductions from Plan Net Assets	**$26,777**	**$26,768**	**$26,825**	**$24,530**
Change in Plan Net Assets	**($ 2,756)**	**($12,660)**	**($10,555)**	**($ 5,231)**

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

	FY 2012	FY 2011	FY 2010	FY 2009
Additions:				
Employer Contributions	$1,928	$ 423	$ 404	$12,381
Net Investment Income (Loss)	(154)	6,460	6,239	(8,466)
Net Asset Transfers	—	—	—	—
Interest Income	755	—	—	—
Other	62	77	(15)	1,023
Total Additions to Plan Net Assets	**$2,591**	**$6,960**	**$6,628**	**$ 4,938**
Deductions:				
Benefits Paid	$6,804	$7,193	$ 7,009	$ 6,496
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	—	—	—	—
Net Asset Transfers	—	—	17,482	—
Administrative Expense	—	42	73	61
Professional Fees	(29)	8	14	12
Other	(5)	5	20	21
Total Deductions from Plan Net Assets	**$6,770**	**$7,248**	**$24,598**	**$ 6,590**
Change in Plan Net Assets	**($4,179)**	**($ 288)**	**($17,970)**	**($ 1,652)**

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(in thousands)

FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
$22,887	$ 17,791	$19,857	$11,135	$11,741	$10,423
(1,151)	15,294	9,948	9,726	14,654	1,047
—	—	—	—	—	—
7	—	—	—	—	—
$21,743	**$ 33,085**	**$29,805**	**$20,861**	**$26,395**	**$11,470**
$21,018	$ 17,260	$14,575	$12,350	$10,591	$ 8,747
—	17,791	19,857	11,135	11,741	10,423
—	78,362	—	—	—	—
27	109	111	112	141	132
5	7	6	9	11	14
—	—	—	—	—	—
7	33	25	39	8	5
$21,057	**$113,562**	**$34,574**	**$23,645**	**$22,492**	**$19,321**
$ 686	**($ 80,477)**	**($ 4,769)**	**($ 2,784)**	**$ 3,903**	**($ 7,851)**

(in thousands)

FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
$11,420	$11,858	$11,102	$ 8,957	$ 8,126	$5,456
(1,632)	13,254	8,779	8,728	13,532	860
—	—	—	—	—	—
—	—	—	—	—	—
449	942	983	906	736	730
$10,237	**$26,054**	**$20,864**	**$18,591**	**$22,394**	**$7,046**
$ 5,732	$ 4,880	$ 4,003	$3,432	$2,866	$2,294
—	11,858	11,102	8,957	8,126	5,456
—	27,805	—	—	—	—
38	94	97	90	123	122
8	8	5	7	10	13
11	29	23	31	7	5
$ 5,789	**$44,674**	**$15,230**	**$12,517**	**$11,132**	**$7,890**
$ 4,448	**($18,620)**	**$ 5,634**	**$ 6,074**	**$11,262**	**($ 844)**

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

	FY 2012	FY 2011	FY 2010	FY 2009
Additions:				
Employer Contributions	$8,332	$10,333	$10,399	$11,150
Net Investment Income (Loss)	(110)	87	—	—
Net Asset Transfers	—	—	17,482	—
Other	44	1	—	—
Total Additions to Plan Net Assets	**$8,266**	**$10,421**	**$27,881**	**$11,150**
Deductions:				
Benefits Paid	$9,708	$ 9,885	$10,171	$10,926
Postemployment Medical Plan Transfers to Pension Plan on Behalf of Employers	—	—	—	—
Net Asset Transfers	—	—	—	—
Administrative Expense	(21)	1	—	—
Professional Fees	(4)	—	—	—
Interest Expense	24	—	—	—
Other		—	—	1,017
Total Deductions from Plan Net Assets	**$9,707**	**$9,886**	**$10,171**	**$11,943**
Change in Plan Net Assets	**($1,441)**	**$ 535**	**$17,710**	**($ 793)**

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(in thousands)

FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY FY 2003
$10,030	$10,474	$9,599	$ 8,669	$ 8,068	$ 5,415
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
$10,030	**$10,474**	**$9,599**	**$ 8,669**	**$ 8,068**	**$ 5,415**
$11,266	$10,941	$10,687	$10,211	$ 8,931	$ 7,869
—	10,474	9,599	8,669	8,068	5,415
—	28,848	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
439	942	983	906	736	730
$11,705	**$51,205**	**$21,269**	**$19,786**	**$17,735**	**$14,014**
($ 1,675)	**($40,731)**	**($11,670)**	**($11,117)**	**($ 9,667)**	**($ 8,599)**

Schedule of Benefit and Refund Deductions By Type

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

	FY 2012	FY 2011	FY 2010	FY 2009
Type of Benefit				
Age and Service Benefits:				
Service Retirement	$308,230	$287,736	$270,523	$249,909
Early Retirement	150,023	145,483	138,643	125,471
Survivors	29,128	28,986	27,079	25,160
Vested Deferred	19,446	19,217	18,063	17,042
Other	7,826	6,803	5,882	5,040
Death in Service Benefit	1,800	1,654	1,326	2,000
Disability Benefits				
Duty Related	20,374	19,769	18,682	18,043
Non Duty Related	8,581	8,676	8,312	8,261
Survivors	1,643	1,646	1,565	1,454
Total Benefits	**$547,051**	**$519,970**	**$490,075**	**$452,380**
Type of Refund				
Separation	$20,299	$ 18,362	$ 18,580	$ 20,364
Death	6,236	4,468	3,271	3,840
Total Refunds	**$26,535**	**$ 22,830**	**$ 21,851**	**$ 24,204**

BENEFIT AND REFUND DEDUCTIONS BY TYPE — OPEB PLANS LAST TEN FISCAL YEARS

	FY 2012	FY 2011	FY 2010	FY 2009
GROUP II POLICE OFFICERS & FIREFIGHTERS				
Type of Benefit				
Medical Subsidy Payments	$16,231	$16,019	$15,916	$15,688
Total Benefits	**$16,231**	**$16,019**	**$15,916**	**$15,688**
GROUP I TEACHERS				
Type of Benefit				
Medical Subsidy Payments	$25,856	$26,767	$26,779	$24,489
Total Benefits	**$25,856**	**$26,767**	**$26,779**	**$24,489**
GROUP I POLITICAL SUBDIVISION EMPLOYEES				
Type of Benefit				
Medical Subsidy Payments	$ 6,804	$ 7,193	$ 7,010	$6,496
Total Benefits	**$ 6,804**	**$ 7,193**	**$ 7,010**	**$6,496**
GROUP I STATE EMPLOYEES OPEB PLAN				
Type of Benefit				
Medical Subsidy Payments	$ 9,708	$ 9,885	$10,170	$10,926
Total Benefits	**$ 9,708**	**$ 9,885**	**$10,170**	**$10,926**

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(in thousands)

FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
$216,344	$190,973	$176,207	$164,415	$152,955	$140,988
101,286	86,655	78,718	71,299	62,194	54,024
21,961	19,915	18,438	16,908	15,234	13,507
18,573	16,054	14,064	12,373	11,022	9,616
5,546	3,959	3,163	2,284	1,498	1,407
2,396	2,456	2,383	2,134	2,549	4,620
16,869	16,198	15,575	14,785	14,246	13,506
7,567	7,253	6,753	6,452	6,200	6,012
1,387	1,388	1,336	1,265	1,109	1,045
$391,929	**$344,851**	**$316,637**	**$291,915**	**$267,007**	**$244,725**
$ 29,613	$ 31,502	$ 26,630	$ 16,992	$16,781	$ 15,278
2,684	2,578	2,752	2,999	—	—
$ 32,297	**$ 34,080**	**$ 29,382**	**$ 19,991**	**$16,781**	**$ 15,278**

(in thousands)

FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
$15,229	$13,672	$12,374	$11,209	$10,104	$ 8,997
$15,229	**$13,672**	**$12,374**	**$11,209**	**$10,104**	**$ 8,997**
$21,018	$17,260	$14,575	$12,350	$10,591	$ 8,747
$21,018	**$17,260**	**$14,575**	**$12,350**	**$10,591**	**$ 8,747**
$5,732	$4,880	$4,003	$3,432	$2,866	$2,294
$5,732	**$4,880**	**$4,003**	**$3,432**	**$2,866**	**$2,294**
$11,266	$10,941	$10,687	$10,211	$8,931	$ 7,869
$11,266	**$10,941**	**$10,687**	**$10,211**	**$8,931**	**$ 7,869**

Schedule of Retired and Vested Members By Type of Benefit

SCHEDULE OF RETIRED AND VESTED MEMBERS BY TYPE OF BENEFITS AS OF JUNE 30, 2012 PENSION PLAN

		Type of Retirement*						
Amount of Monthly Benefit	Number of Retirees	1	2	3	4	5	6	7
EMPLOYEES								
$1–500	4,433	3,611	43	2	6	—	522	249
501–1,000	4,385	3,259	260	132	7	2	373	352
1,001–1,500	2,534	1,999	74	223	6	4	139	89
1,501–2,000	1,405	1,194	20	82	4	2	82	21
2,001–2,500	844	759	4	22	—	2	52	5
2,501–3,000	509	456	3	9	1	1	35	4
3,001–3,500	302	282	—	2	—	—	17	1
3,501–4,000	219	206	1	1	—	—	11	—
Over 4,000	231	225	1	1	1	—	3	—
Totals	**14,862**	**11,991**	**406**	**474**	**25**	**11**	**1,234**	**721**
TEACHERS								
$1–500	1,227	1,006	—	—	—	—	62	159
501–1,000	1,758	1,307	49	—	1	—	104	297
1,001–1,500	1,524	1,258	67	5	4	—	88	102
1,501–2,000	1,532	1,408	25	5	4	1	64	25
2,001–2,500	1,516	1,434	15	8	—	1	55	3
2,501–3,000	1,246	1,205	8	2	2	—	29	1
3,001–3,500	949	921	2	—	—	—	24	1
3,501–4,000	469	455	—	—	2	—	12	—
Over 4,000	323	316	—	—	—	—	7	—
Totals	**10,544**	**9,310**	**166**	**20**	**13**	**2**	**445**	**588**
POLICE OFFICERS								
$1–500	148	113	1	—	—	2	32	—
501–1,000	287	151	6	—	—	1	116	13
1,001–1,500	301	156	22	10	1	2	84	27
1,501–2,000	279	176	20	34	—	1	40	7
2,001–2,500	347	253	8	67	—	1	13	5
2,501–3,000	365	264	—	81	—	2	17	1
3,001–3,500	306	255	—	41	1	3	5	1
3,501–4,000	246	218	—	20	—	—	8	—
Over 4,000	756	709	—	40	—	1	6	—
Totals	**3,035**	**2,295**	**57**	**293**	**2**	**13**	**321**	**54**
FIREFIGHTERS								
$1–500	40	24	—	1	—	2	13	—
501–1,000	92	31	1	—	—	—	60	—
1,001–1,500	141	60	7	8	—	5	60	1
1,501–2,000	116	62	8	14	—	2	25	5
2,001–2,500	178	119	2	24	1	3	28	1
2,501–3,000	163	126	2	26	—	—	8	1
3,001–3,500	146	127	1	15	—	1	2	—
3,501–4,000	129	119	—	7	—	1	1	1
Over 4,000	380	358	—	10	1	—	11	—
Totals	**1,385**	**1,026**	**21**	**105**	**2**	**14**	**208**	**9**

* 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*
2,597	198	305	75	811	182	12	4	—	—	249
2,399	131	279	90	842	278	10	4	—	—	352
1,292	91	212	79	551	216	3	1	—	—	89
650	43	130	60	375	120	3	3	—	—	21
338	16	83	39	285	76	1	1	—	—	5
196	14	64	21	144	66	—	—	—	—	4
107	5	43	14	97	35	—	—	—	—	1
73	3	30	16	67	29	1	—	—	—	—
56	4	37	24	78	30	1	1	—	—	—
7,708	**505**	**1,183**	**418**	**3,250**	**1,032**	**31**	**14**	**—**	**—**	**721**
561	42	73	24	278	79	6	5	—	—	159
872	102	81	26	305	69	5	1	—	—	297
740	62	105	42	362	108	3	—	—	—	102
673	56	121	43	453	154	1	6	—	—	25
650	40	112	58	469	179	2	3	—	—	3
506	42	113	45	380	153	1	5	—	—	1
405	25	82	34	300	97	1	4	—	—	1
188	18	45	17	136	65	—	—	—	—	—
133	7	34	10	99	40	—	—	—	—	—
4,728	**394**	**766**	**299**	**2,782**	**944**	**19**	**24**	**—**	**—**	**588**
99	1	6	16	6	20	—	—	—	—	—
209	5	12	12	15	21	—	—	—	—	13
184	14	13	11	13	39	—	—	—	—	27
159	16	8	21	15	52	1	—	—	—	7
168	18	12	47	19	78	—	—	—	—	5
145	22	10	61	19	107	—	—	—	—	1
108	14	3	81	8	91	—	—	—	—	1
83	8	2	55	8	90	—	—	—	—	—
186	18	8	235	12	296	1	—	—	—	—
1,341	**116**	**74**	**539**	**115**	**794**	**2**	**—**	**—**	**—**	**54**
29	—	2	—	2	7	—	—	—	—	—
82	—	2	1	1	6	—	—	—	—	—
107	7	8	6	7	5	—	—	—	—	1
69	10	5	10	8	9	—	—	—	—	5
95	14	8	24	7	29	—	—	—	—	1
60	8	5	27	12	50	—	—	—	—	1
38	7	3	35	2	61	—	—	—	—	—
38	6	1	27	2	54	—	—	—	—	1
100	13	2	92	4	167	1	1	—	—	—
618	**65**	**36**	**222**	**45**	**388**	**1**	**1**	**—**	**—**	**9**

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.

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SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFITS AS OF JUNE 30, 2012
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	1,423	419	980	18	6
501–1,000	1,116	192	173	736	15
1,001–1,500	25	5	1	13	6
1,501–2,000	2	—	—	2	—
Over $2,000	—	—	—	—	—
Total	**2,566**	**616**	**1,154**	**769**	**27**
GROUP I TEACHERS OPEB PLAN					
$1–500	3,266	450	2,780	2	34
501–1,000	1,027	333	248	240	206
1,001–1,500	103	30	13	29	31
1,501–2,000	45	12	—	33	—
Over $2,000	—	—	—	—	—
Total	**4,441**	**825**	**3,041**	**304**	**271**
GROUP I POLITICAL SUBDIVISION EMPLOYEES OPEB PLAN					
$1–500	1,152	131	1,017	—	4
501–1,000	235	89	78	49	19
1,001–1,500	12	1	3	4	4
1,501–2,000	4	2	—	2	—
Over $2,000	—	—	—	—	—
Total	**1,403**	**223**	**1,098**	**55**	**27**
GROUP I STATE EMPLOYEES OPEB PLAN					
$1–500	1,776	100	1,647	2	27
501–1,000	270	53	104	82	31
1,001–1,500	4	2	1	—	1
1,501–2,000	1	—	—	1	—
Over $2,000	—	—	—	—	—
Total	**2,051**	**155**	**1,752**	**85**	**59**
TOTAL — OPEB PLANS					
$1–500	7,617	1,100	6,424	22	71
501–1,000	2,648	667	603	1,107	271
1,001–1,500	144	38	18	46	42
1,501–2,000	52	14	—	38	—
Over $2,000	—	—	—	—	—
Total	**10,461**	**1,819**	**7,045**	**1,213**	**384**

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Schedule of Average Benefit Payment Amounts

SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS PENSION PLAN — EMPLOYEES

2012

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	$343	$400	$576	$854	$1,142	$1,535	$2,274	$1,049
Average annual benefit	$4,114	$4,804	$6,911	$10,243	$13,706	$18,421	$27,284	$12,591
Average final average salary	$34,356	$38,505	$39,797	$44,567	$46,998	$52,948	$62,444	$47,037
Number of retired members	992*	1,389	3,511	2,261	2,340	1,323	2,325	14,141**

* Includes 194 members who did not have service reported.
** Includes 7,748 members who did not have FAS reported.

2011

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	$336	$393	$571	$837	$1,126	$1,519	$2,257	$1,039
Average annual benefit	$4,032	$4,719	$6,856	$10,049	$13,517	$18,228	$27,079	$12,474
Average final average salary	$32,512	$37,153	$38,954	$43,438	$45,838	$51,964	$61,282	$46,178
Number of retired members	936*	1,341	3,334	2,144	2,226	1,277	2,229	13,487**

** Includes 172 members who did not have service reported.
** Includes 7,913 members who did not have FAS reported.

2010

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	$335	$386	$561	$822	$1,110	$1,495	$2,222	$1,017
Average annual benefit	$4,017	$4,632	$6,738	$9,861	$13,321	$17,938	$26,660	$12,208
Average final average salary	$32,068	$35,498	$37,739	$41,663	$44,745	$50,812	$60,543	$45,062
Number of retired members	900*	1,291	3,169	2,059	2,091	1,213	2,079	12,802**

* Includes 161 members who did not have service reported.
** Includes 8,088 members who did not have FAS reported.

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	$325	$374	$547	$802	$1,084	$1,438	$2,152	$975
Average annual benefit	$3,897	$4,493	$6,568	$9,627	$13,008	$17,259	$25,826	$11,697
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

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	$314	$368	$538	$785	$1,070	$1,428	$2,096	$948
Average annual benefit	$3,766	$4,411	$6,454	$9,418	$12,846	$17,141	$25,150	$11,380
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	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	$312	$338	$515	$751	$1,031	$1,380	$1,990	$906
Average annual benefit	$3,740	$4,057	$6,180	$9,011	$12,371	$16,564	$23,878	$10,874
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.

NOTE: Due to system changes, average final average salary data is only available for fiscal years 2007–2012. The available data is limited and represents average final average salary for those members who have retired since fiscal year 2004. Additional years data will be added prospectively.

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SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS
PENSION PLAN — TEACHERS

2012

Service	0–4. yrs.	5–9 yrs.	10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
	Years Credited Service							
Average monthly benefit	$434	$491	$684	$1,039	$1,447	$1,856	$2,673	$1,777
Average annual benefit	$5,203	$5,892	$8,214	$12,473	$17,363	$22,272	$32,080	$21,320
Average final average salary	$51,428	$53,206	$46,917	$54,779	$59,762	$64,214	$70,113	$62,128
Number of retired members	207*	236	1,190	1,100	1,951	1,703	3,569	9,956**

* Includes 88 members who did not have service reported.
** Includes 5,098 members who did not have FAS reported.

2011

Service	0–4. yrs.	5–9 yrs.	10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
	Years Credited Service							
Average monthly benefit	$432	$484	$670	$1,023	$1,439	$1,848	$2,664	$1,777
Average annual benefit	$5,185	$5,804	$8,044	$12,271	$17,272	$22,178	$31,972	$21,321
Average final average salary	$50,528	$53,243	$45,371	$53,207	$58,790	$63,226	$69,426	$61,398
Number of retired members	188*	214	1,111	1,021	1,859	1,608	3,426	9,427**

* Includes 79 members who did not have service reported.
** Includes 5,148 members who did not have FAS reported.

2010

Service	0–4. yrs.	5–9 yrs.	10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
	Years Credited Service							
Average monthly benefit	$417	$478	$664	$1,005	$1,435	$1,847	$2,656	$1,781
Average annual benefit	$5,001	$5,733	$7,970	$12,064	$17,224	$22,162	$31,869	$21,375
Average final average salary	$50,790	$52,875	$44,197	$51,833	$57,897	$62,372	$68,973	$60,970
Number of retired members	171*	203	1,040	965	1,793	1,570	3,345	9,087**

* Includes 72 members who did not have service reported.
** Includes 5,182 members who did not have FAS reported.

2009

Service	0–4 yrs.	5–9 yrs.	10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
	Years Credited Service							
Average monthly benefit	$422	$477	$653	$984	$1,409	$1,817	$2,591	$1,736
Average annual benefit	$5,069	$5,729	$7,838	$11,805	$16,910	$21,804	$31,096	$20,830
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

Service	0–4 yrs.	5–9 yrs.	10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
	Years Credited Service							
Average monthly benefit	$418	$457	$636	$966	$1,381	$1,789	$2,528	$1,674
Average annual benefit	$5,015	$5,478	$7,633	$11,590	$16,568	$21,470	$30,334	$20,087
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
	Years Credited Service							
Average monthly benefit	$392	$417	$614	$931	$1,348	$1,761	$2,446	$1,615
Average annual benefit	$4,708	$5,003	$7,363	$11,171	$16,172	$21,137	$29,353	$19,376
Average final average salary	$48,572	$51,663	$41,693	$49,356	$56,367	$58,937	$63,650	$56,556
Number of retired members	103*	163	842	855	1,390	1,245	2,330	6,928**

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

NOTE: Due to system changes, average final average salary data is only available for fiscal years 2007–2012. The available data is limited and represents average final average salary for those members who have retired since fiscal year 2004. Additional years data will be added prospectively.

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SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS
PENSION PLAN — POLICE OFFICERS

2012 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	$986	$1,414	$1,520	$2,101	$2,936	$4,235	$5,469	$2,894
Average annual benefit	$11,835	$16,968	$18,238	$25,218	$35,230	$50,824	$65,631	$34,731
Average final average salary	$43,717	$51,792	$48,430	$59,074	$75,343	$89,117	$98,085	$76,294
Number of retired members	238*	151	325	255	1,255	547	210	2,981**

* Includes 145 members who did not have service reported.
** Includes 1,766 members who did not have FAS reported.

2011 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	$957	$1,386	$1,482	$2,072	$2,893	$4,082	$5,432	$2,823
Average annual benefit	$11,485	$16,635	$17,788	$24,867	$34,719	$48,981	$65,188	$33,876
Average final average salary	$47,377	$52,498	$46,123	$58,423	$74,403	$87,050	$97,076	$75,213
Number of retired members	230*	149	314	251	1,218	523	195	2,880**

**Includes 140 members who did not have service reported.
**Includes 1,794 members who did not have FAS reported.

2010 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	$942	$1,352	$1,483	$2,034	$2,845	$3,940	$5,114	$2,724
Average annual benefit	$11,310	$16,222	$17,792	$24,413	$34,137	$47,277	$61,371	$32,689
Average final average salary	$44,656	$50,016	$45,342	$57,278	$70,960	$85,452	$93,848	$72,439
Number of retired members	218*	145	305	241	1,140	482	171	2,702**

* Includes 129 members who did not have service reported.
** Includes 1,814 members who did not have FAS reported.

2009 Service	Years Credited Service 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 annual benefit	$11,166	$16,048	$17,438	$24,309	$33,797	$45,213	$60,811	$31,980
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 annual benefit	$10,847	$15,829	$17,362	$24,149	$33,081	$43,574	$57,628	$30,961
Average final average salary	$42,170	$50,113	$45,063	$57,239	$69,092	$80,884	$87,128	$69,835
Number of retired members	191*	137	281	221	1,044	424	138	2,436**

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

2007 Service	Years Credited Service 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 annual benefit	$10,287	$14,754	$17,293	$23,083	$31,912	$41,008	$52,757	$29,783
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.

NOTE: Due to system changes, average final average salary data is only available for fiscal years 2007–2012. The available data is limited and represents average final average salary for those members who have retired since fiscal year 2004. Additional years data will be added prospectively.

SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS
PENSION PLAN — FIREFIGHTERS

2012 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	$1,062	$1,523	$1,701	$2,072	$2,672	$3,956	$5,192	$3,038
Average annual benefit	$12,740	$18,280	$20,416	$24,865	$32,067	$47,475	$62,306	$36,461
Average final average salary	$50,146	$51,114	$53,705	$64,002	$74,611	$88,513	$92,039	$80,981
Number of retired members	96*	29	78	110	564	343	156	1,376**

* Includes 77 members who did not have service reported.
** Includes 931 members who did not have FAS reported.

2011 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	$1,063	$1,519	$1,600	$2,062	$2,656	$3,846	$4,971	$2,967
Average annual benefit	$12,751	$18,225	$19,194	$24,749	$31,877	$46,151	$59,651	$35,599
Average final average salary	$50,146	$51,114	$49,051	$64,919	$73,582	$86,853	$90,415	$79,520
Number of retired members	90*	30	73	111	555	328	149	1,336**

**Includes 71 members who did not have service reported.
**Includes 942 members who did not have FAS reported.

2010 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	$1,020	$1,487	$1,607	$2,041	$2,592	$3,770	$4,749	$2,871
Average annual benefit	$12,244	$17,846	$19,283	$24,493	$31,109	$45,240	$56,983	$34,454
Average final average salary	$55,668	$47,729	$50,024	$62,405	$71,694	$86,042	$89,392	$78,232
Number of retired members	80*	28	73	109	530	304	130	1,254**

* Includes 62 members who did not have service reported.
** Includes 946 members who did not have FAS reported.

2009 Service	Years Credited Service 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 annual benefit	$11,607	$17,274	$19,025	$23,973	$30,440	$44,489	$55,102	$33,533
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 annual benefit	$11,495	$17,254	$18,541	$23,499	$29,857	$43,934	$54,311	$32,914
Average final average salary	$55,668	$42,455	$46,301	$64,705	$69,420	$83,187	$87,553	$76,307
Number of retired members	74*	27	70	105	523	287	114	1,200**

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

2007 Service	Years Credited Service 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 annual benefit	$11,091	$15,431	$18,407	$23,199	$28,751	$41,935	$50,743	$31,807
Average final average salary	$57,429	$0	$45,518	$64,027	$69,135	$82,005	$86,698	$75,540
Number of retired members	67*	22	73	108	488	297	113	1,168**

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

NOTE: Due to system changes, average final average salary data is only available for fiscal years 2007–2012. The available data is limited and represents average final average salary for those members who have retired since fiscal year 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

2012 Service	0–4 yrs.*	5–9 yrs.
Average Monthly Benefit	$419	$460
Annual Benefits	$322,069	$496,368
Number of retired members	64	90

**Includes 19 members who did not have service reported.

2011 Service	0–4 yrs.*	5–9 yrs.
Average Monthly Benefit	$433	$459
Annual Benefits	$327,489	$512,666
Number of retired members	63	93

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

2010 Service	0–4 yrs.*	5–9 yrs.
Average Monthly Benefit	$447	$472
Annual Benefits	$343,140	$509,409
Number of retired members	64	90

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

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

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

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

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

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

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

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

2012

10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$468	$449	$533	$558	$536	$523
$989,289	$948,587	$7,617,692	$4,041,300	$1,698,972	$16,114,277
176	176	1,192	604	264	2,566

2011

10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$475	$455	$545	$557	$546	$531
$991,312	$988,209	$7,868,124	$3,972,987	$1,638,323	$16,299,110
174	181	1,202	594	250	2,557

2010

10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$481	$460	$548	$557	$540	$533
$1,038,333	$987,831	$7,695,267	$3,823,520	$1,516,304	$15,913,804
180	179	1,170	572	234	2,489

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
$482	$460	$492	$522	$479	$502
$1,012,913	$998,782	$6,377,170	$3,437,412	$1,185,193	$13,970,631
175	181	1,080	549	206	2,319

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GROUP I — TEACHERS

2012		
Service	0–4 yrs.*	5–9 yrs.
Average Monthly Benefit	$286	$306
Annual Benefits	$47,741	$7,349
Number of retired members	11	2

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

2011		
Service	0–4 yrs.*	5–9 yrs.
Average Monthly Benefit	$321	$376
Annual Benefits	$38,535	$4,507
Number of retired members	10	1

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

2010		
Service	0–4 yrs.*	5–9 yrs.
Average Monthly Benefit	$332	$376
Annual Benefits	$27,890	$4,507
Number of retired members	7	1

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

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

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

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

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

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

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

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

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2012					
10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$484	$474	$415	$421	$505	$466
$23,224	$5,684	$5,028,880	$4,888,880	$14,831,920	$24,823,506
4	1	1,009	968	2,446	4,441

2011					
10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$484	$474	$429	$439	$525	$484
$23,224	$5,684	$5,214,828	$5,032,007	$15,538,525	$25,857,310
4	1	1,014	956	2,467	4,453

2010					
10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$566	$474	$438	$449	$532	$492
$20,382	$11,368	$5,334,533	$5,139,796	$15,865,603	$26,404,079
3	2	1,016	954	2,487	4,470

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
$402	$439	$383	$408	$467	$435
$24,135	$10,526	$3,465,731	$3,611,050	$10,115,236	$17,275,791
5	2	754	737	1,804	3,311

SCHEDULES OF AVERAGE BENEFIT PAYMENT AMOUNTS — OPEB PLANS*

GROUP I — POLITICAL SUBDIVISION EMPLOYEES

2012 Service	0–4 yrs.*	5–9 yrs.
Average Monthly Benefit	$322	$341
Annual Benefits	$65,652	$32,763
Number of retired members	17	8

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

2011 Service	0–4 yrs.*	5–9 yrs.
Average Monthly Benefit	$330	$348
Annual Benefits	$67,317	$41,814
Number of retired members	17	10

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

2010 Service	0–4 yrs.*	5–9 yrs.
Average Monthly Benefit	$367	$338
Annual Benefits	$65,985	$44,665
Number of retired members	15	11

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

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

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

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

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

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

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

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

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			2012		
10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$382	$359	$403	$398	$469	$419
$59,623	$21,559	$3,137,104	$1,534,994	$2,196,314	$7,048,009
13	5	649	321	390	1,403

			2011		
10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$404	$390	$415	$416	$493	$435
$58,229	$18,717	$3,257,086	$1,655,639	$2,314,398	$7,413,200
12	4	654	332	391	1,420

			2010		
10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$424	$373	$428	$424	$502	$446
$60,991	$17,881	$3,406,946	$1,689,244	$2,404,823	$7,690,535
12	4	663	332	399	1,436

			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
$462	$358	$396	$375	$459	$408
$83,195	$21,504	$2,100,042	$1,094,540	$1,492,664	$4,887,273
15	5	442	243	271	999

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GROUP I — STATE EMPLOYEES

2012 Service	0–4 yrs.*	5–9 yrs.
Average Monthly Benefit	$401	$444
Annual Benefits	$649,228	$367,976
Number of retired members	135	69

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

2011 Service	0–4 yrs.*	5–9 yrs.
Average Monthly Benefit	$408	$455
Annual Benefits	$724,932	$382,467
Number of retired members	148	70

**Includes 76 members who did not have service reported.

2010 Service	0–4 yrs.*	5–9 yrs.
Average Monthly Benefit	$411	$483
Annual Benefits	$789,405	$405,955
Number of retired members	160	70

**Includes 76 members who did not have service reported.

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

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

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

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

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

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

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

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			2012		
10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$419	$398	$360	$369	$395	$384
$437,722	$205,609	$2,349,911	$1,642,715	$3,805,681	$9,458,842
87	43	544	371	802	2,051

			2011		
10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$432	$405	$370	$378	$403	$393
$482,302	$208,938	$2,503,738	$1,772,785	$4,052,072	$10,127,234
93	43	564	391	838	2,147

			2010		
10–14 yrs.	15–19 yrs.	20–24 yrs.	25–29 yrs.	30 or more yrs.	Total
$432	$412	$376	$381	$412	$400
$487,783	$212,754	$2,559,991	$1,858,335	$4,238,332	$10,552,555
94	43	567	406	857	2,197

			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
$409	$424	$334	$375	$406	$393
$456,490	$274,872	$2,281,923	$1,965,753	$4,669,153	$11,194,846
93	54	570	437	958	2,375

Principal Participating Employers

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

	As Of June 30, 2012			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	10,150	1	20.87%	11,768	1	23.33%
Manchester School District	1,331	2	2.74%	1,396	2	2.77%
SAU 42 (Nashua School District)	1,272	3	2.62%	1,313	3	2.60%
Community College System of New Hampshire	748	4	1.54%	—	—	—
Timberlane School District	656	5	1.35%	645	4	1.28%
Merrimack School District	627	6	1.29%	481	9	0.95%
City of Dover	607	7	1.25%	—	—	—
Concord School District	588	8	1.20%	623	5	1.24%
City of Nashua	587	9	1.21%	603	6	1.20%
SAU 54 (Rochester School District)	582	10	1.20%	588	8	1.17%
All Other*	31,477		64.73%	33,003		65.46%
Total (475 Governments)	**48,625**		**100.00%**	**50,420**		**100.00%**

*As of June 30, 2012, “All Other” consisted of:

Type	Number	Employees
State Government	4	108
City Governments	11	2,019
Town Governments & Related Entities	243	5,632
County Governments & Related Entities	12	3,281
School Districts & School Administrative Units	195	20,437
Total	**465**	**31,477**

**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, 2012 begins on page 125.

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

	As Of June 30, 2012			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	694	1	27.05%	620	1	25.83%
City of Manchester	278	2	10.83%	310	2	12.92%
City of Nashua	237	3	9.24%	221	3	9.21%
Town of Salem	110	4	4.29%	98	5	4.08%
City of Concord	108	5	4.21%	118	4	4.92%
City of Portsmouth	92	6	3.59%	80	6	3.33%
City of Dover	74	7	2.88%	61	7	2.54%
Town of Derry	57	8	2.22%	48	9	2.00%
City of Keene	54	9	2.10%	50	8	2.08%
Town of Hampton	50	10	1.95%	48	9	2.00%
All Other*	812		31.64%	746		31.09%
Total (138 Governments)	**2,566**		**100.00%**	**2,400**		**100.00%**

*As of June 30, 2012, “All Other” consisted of:

Type	Number	Employees
City Governments	7	205
Town Governments & Related Entities	111	501
County Governments & Related Entities	10	106
Total	**128**	**812**

**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 OPEB PLAN CURRENT YEAR AND NINE YEARS AGO

	As Of June 30, 2012			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	509	1	11.46%	464	1	12.57%
SAU 42 (Nashua School District)	392	2	8.83%	304	2	8.24%
Concord School District	196	3	4.41%	181	3	4.91%
Keene School District	167	4	3.76%	147	4	3.98%
Portsmouth School District	146	5	3.29%	142	5	3.85%
Salem School District	117	6	2.63%	90	6	2.44%
Dover School District	100	7	2.25%	85	7	2.30%
Merrimack School District	99	8	2.23%	—	—	—
SAU 54 (Rochester School District)	94	9	2.12%	73	9	1.98%
SAU 10 (Derry Coop School District)	86	10	1.94%	—	—	—
All Other*	2,535		57.08%	2,204		59.73%
Total (172 Governments)	**4,441**		**100.00%**	**3,690**		**100.00%**

*As of June 30, 2012, “All Other” consisted of:

Type	Number	Employees
School Districts & School Administrative Units	162	2,535
Total	**162**	**2,535**

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

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

	As Of June 30, 2012			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	72	1	5.13%	71	1	6.08%
Hillsborough County	47	2	3.35%	36	3	3.08%
City of Nashua	46	3	3.28%	37	2	3.17%
Rockingham County	35	4	2.49%	28	4	2.40%
Concord School District	35	4	2.49%	27	5	2.31%
City of Portsmouth	34	5	2.42%	26	6	2.23%
Merrimack County	32	6	2.28%	27	5	2.31%
Grafton County	29	7	2.07%	26	6	2.23%
City of Dover	28	8	2.00%	—	—	—
City of Keene	28	8	2.00%	—	—	—
All Other*	1,017		72.49%	889		73.79%
Total (214 Governments)	**1,403**		**100.00%**	**1,167**		**100.00%**

*As of June 30, 2012, “All Other” consisted of:

Type	Number	Employees
City Governments	10	116
Town Governments & Related Entities	63	312
County Governments & Related Entities	7	64
School Districts & School Administrative Units	124	599
Total	**204**	**1,034**

**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 STATE EMPLOYEES OPEB PLAN CURRENT YEAR AND NINE YEARS AGO

	As Of June 30, 2012			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	1,933	1	94.25%	2,320	1	99.70%
Community College System of New Hampshire	111	2	5.41%	—	—	—
New Hampshire Retirement System	7	3	0.34%	7	2	0.30%
Total (5 Governments)	**2,051**		**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.

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Brentwood E, P, F

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Bristol E, P, F

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Canaan E, P

Candia P

Canterbury E, P, F

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

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Milton E, F, P
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