

State of New Hampshire

*Actuarial Valuation and Review of Other Postemployment
Benefits (OPEB) as of December 31, 2010
In accordance with GASB Statements Number 43 and 45*

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October 20, 2011

*Monica A. Ciolfi
Administrator of Risk and Benefits
Department of Administrative Services
25 Capitol Street
Concord, NH 03301*

Dear Monica:

We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as December 31, 2010 under GASB Statements Number 43 and 45. It establishes the liabilities of the postemployment welfare benefit plan in accordance with GASB Statements Number 43 and 45 for the current year and summarizes the actuarial data.

This report is based on information received from the State. The actuarial projections were based on the assumptions and methods described in Exhibit II and on the plan of benefits as summarized in Exhibit III.

We look forward to discussing this material with you at your convenience.

Sincerely,

THE SEGAL COMPANY

By: 
*Andrew D. Sherman
Senior Vice President*
7499188v5/05855.049


*Kathleen A. Riley, FSA, MAAA, EA
Senior Vice President and Actuary*

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PURPOSE

This report presents the results of our actuarial valuation of State of New Hampshire (the “Employer”) postemployment welfare benefit plan as of December 31, 2010. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants’ active working lifetimes. The accounting standard supplements cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.*, a pay-as-you-go basis).

The valuation as of December 31, 2010 reflects the plan design changes effective January 1, 2012, the eligibility changes included in House Bill 2 (2011 Legislative Session) and the change in the retiree contribution amounts included in Senate Bill 33 (2011 Legislative Session).

HIGHLIGHTS OF THE VALUATION

During the fiscal year ending June 30, 2011, we project the State will pay claims and expenses (net of the New Hampshire Retirement System subsidy and retiree contributions) on behalf of retired employees of about \$50,927,000. This amount is less than the annual “cost” (the “Annual Required Contribution” or ARC) under the new accounting rules of \$156,863,000.

The GASB statements provide the method for selecting the investment return assumption (discount rate). If the benefits are funded, the discount rate should be based on the estimated long-term investment yield on the investments expected to be used to finance the payment of benefits. If financing continues to be pay-as-you-go, the discount rate should be based on the expected yield on the assets of the employer.

Because the benefits are not being funded, we have used a 4.50% discount rate (referred to as the pay-as-you-go interest rate). For illustrative purposes, we have also shown what the obligations would be on a fully funded basis, assuming an interest rate of 7.75%. In the prior valuation, the interest rate used for funding the obligations was 8.50%.

To determine the amortization payment on the unfunded actuarial accrued liability (UAAL), an amortization period and amortization method must be selected. We have used a 30-year amortization of the UAAL (the maximum permitted by the GASB statements), with payments increasing at 4.5% year. The GASB statements allow for either an open or closed amortization period. In open amortization, the period is reset to the initial value every year and the UAAL is reamortized, while under a closed amortization, the remaining period decreases and the UAAL is eventually “paid off.”

To be considered a funded plan, the “contribution in relation to the ARC” must equal the ARC. For example, if the ARC is \$105,500,000, and the employer pays claims and expenses to retirees of \$50,927,000, then an additional contribution of the difference, or approximately \$54,573,000 will need to be added to an OPEB trust fund during the fiscal year ending June 30, 2011.

On page 13, we show a funding schedule using the funded discount rate and a closed amortization beginning July 1, 2011. If the State were to start funding OPEB benefits, the “Additional Funding” amounts shown in this chart are the expected amounts the State would have to contribute to an OPEB trust in future years (beyond the projected net retiree claims and expenses) to fully fund the OPEB obligation in 30 years.

If benefits are funded in the future, assets set aside to fund OPEB liabilities must be held in a trust or equivalent arrangement, through which assets are accumulated and benefits are paid as they come due. Employer contributions to the plan are irrevocable, plan assets are dedicated to providing benefits to retirees and their spouses in accordance with the terms of the plan, and plan assets are legally protected from creditors of the employer.

Page 14 shows a projection of the Annual Required Contribution. Please note that the projections on both pages 13 and 14 are based on a closed group projection. A closed group projection does not reflect new hires. The normal cost for each year after the valuation date has been increased by the ultimate medical cost trend rate of 5%. The actuarial accrued liability has been increased by benefits earned, less benefit payments, plus an adjustment for interest. Therefore, the eligibility changes included in the 2011 Legislative Session are only reflected for the affected individuals as of December 31, 2010. The normal cost and actuarial accrued liability will increase less than shown on these charts as future valuations reflect the larger portion of the active population that is affected by these changes.

GASB guidelines prohibit the offset of OPEB obligations by the future value of Medicare Part D subsidies. Therefore, these calculations do not include an estimate for retiree prescription drug plan federal subsidies that the Employer may be eligible to receive for plan years beginning in 2006.

Employer decisions regarding plan design, cost sharing between the Employer and its retirees, actuarial cost method, amortization techniques, and integration with Medicare are just some of the decisions that affect the magnitude of OPEB

obligations. We are available to assist you with any investigation of such options you may wish to undertake.

The Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 creates a temporary reinsurance program for eligible health care coverage for pre-Medicare retirees over age 55. The program will reimburse the plan sponsor for 80% of the retiree claims between \$15,000 and \$90,000. Due to the short nature of this program, the limited financing, and uncertainty of qualifying and receiving payment (the program will be on a first come first served basis until financing runs out), we have not reflected the value of this program in the valuation. Additional provisions of the Acts that may affect retiree health benefits in the future have not been reflected.

KEY VALUATION RESULTS

A summary of significant valuation results follows:

- The **unfunded actuarial accrued liability (UAAL)** as of December 31, 2010 is \$1,342,131,000 (funded) and \$2,257,820,000 (pay-as-you-go). Going forward, net unfunded plan obligations will be expected to change due to normal plan operations, which consist of continuing accruals for active members, plus interest on the total actuarial accrued liability, less expected benefit payments and contributions. Future valuations will analyze the difference between actual and expected unfunded actuarial accrued liabilities.
 - As of December 31, 2010, the ratio of assets to the AAL (the funded ratio) is 0%.
- The **Annual Required Contribution (ARC)** is \$105,500,000 (funded) and \$156,863,000 (pay-as-you-go) this year. The ARC is expected to remain relatively

SECTION 1: Introduction for State of New Hampshire December 31, 2010 Measurement under GASB

level as a percentage of payroll, as long as the ARC is fully funded each year. If the ARC is not fully funded, it may be expected to increase as a percentage of payroll over time.

- As noted above, **projected benefit payments** for the year ended June 30, 2011 are \$50,927,000. The GASB 45 disclosure charts in Section 3 should reflect the actual benefit payments as the “contribution in relation to the ARC.”

Plan obligations had been expected to increase due to normal plan operations, which consist of continuing accruals for active members, plus interest on the total obligation, less expected benefit payments. The smaller than expected increase was the net result of the following:

- An **actuarial experience loss** increased obligations. This was the net result of gains and losses due to demographic changes and the New Hampshire Retirement System subsidy not increasing as expected.
- **Valuation assumptions** decreased obligations. This was the net result of a *decrease* in obligations due to valuation-year per capita health costs that did not increase as much as expected, partially offset by an *increase* in obligations due to a change in the future trend on per capita health care costs, based on our projections of what is likely to occur in the marketplace, and a change in the interest rate for the funded liabilities. The complete set of assumptions is shown in Exhibit II.

- **Plan changes** decreased obligations. This was the net result of a *decrease* in obligations due to plan design changes effective October 1, 2010 and January 1, 2012, a *decrease* in obligations due to the change in the retiree health insurance premium from \$65 to 12.5% of working rates per retiree or spouse under the age of 65 effective July 1, 2011, and a *decrease* in obligations due to eligibility changes, partially offset by an *increase* in obligations due to the elimination of future increases in the New Hampshire Retirement System medical subsidy. The current plan of benefits is shown in Exhibit III.

A reconciliation of changes in obligations on both the funded and pay-as-you-go basis is shown on the following page.

DEMOGRAPHIC ASSUMPTIONS

The demographic assumptions used in the valuation are with some minor exceptions as shown in the New Hampshire Retirement System Actuarial Valuation Report as of June 30, 2010 prepared by Gabriel Roeder Smith & Company.

The New Hampshire Retirement System has recently completed an experience study of the demographic and economic assumptions used in the Retirement System’s actuarial valuation. We have estimated that if the recommended assumptions were used in this valuation, the obligations would increase by approximately \$99,000,000.

SECTION 1: Introduction for State of New Hampshire December 31, 2010 Measurement under GASB

RECONCILIATION OF CHANGES IN OPEB UAAL

	Pre- funded (7.75% interest rate)	Pay-as-you-go (4.5% interest rate)
Unfunded actuarial accrued liability as of June 30, 2008	\$1,312,000,000	\$2,470,000,000
Change in UAAL attributable to:		
Benefits earned net of benefits paid, NHRS subsidy and retiree contributions	\$266,000,000	\$438,000,000
Actuarial experience gain/loss	32,000,000	69,000,000
Changes in actuarial assumptions:		
Changes in per capita health costs and trend assumptions	\$(145,000,000)	\$(259,000,000)
Assumption changes	<u>140,000,000</u>	-
Subtotal	(5,000,000)	(259,000,000)
Plan changes:		
Plan design changes effective October 1, 2010	\$(121,000,000)	\$(227,000,000)
Plan design changes effective January 1, 2012	(135,000,000)	(232,000,000)
Changes to NHRS subsidy	43,000,000	79,000,000
Change to under 65 retiree contribution	(37,000,000)	(56,000,000)
Eligibility changes	<u>(13,000,000)</u>	<u>(24,000,000)</u>
Subtotal	<u>(263,000,000)</u>	<u>(460,000,000)</u>
Total change in unfunded actuarial accrued liability	\$30,000,000	\$(212,000,000)
Unfunded actuarial accrued liability as of December 31, 2010	\$1,342,000,000	\$2,258,000,000

ACCOUNTING REQUIREMENTS

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement Number 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Under these statements, all state and local governmental entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements.

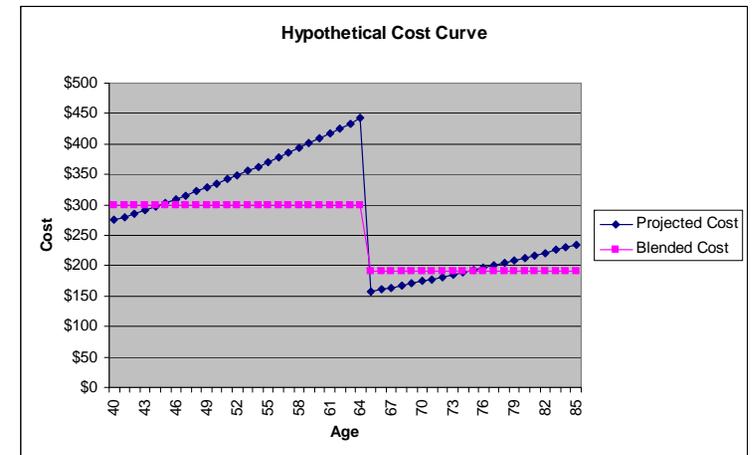
The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits, referred to as OPEB, are typically financed on a pay-as-you-go basis. The new standard introduces an accrual-basis accounting requirement; thereby recognizing the employer cost of postemployment benefits over an employee’s career. The standards also introduce a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the net OPEB obligation (NOO). In addition, required supplementary information (RSI) must be reported, including historical information about the UAAL and the progress in funding the Plan.

The benefits valued in this report are limited to those described in Exhibit III of Section 4.

The following graph illustrates why a significant accounting obligation may exist even though the retiree contributes most or all of the blended premium cost of the plan. The average cost for retirees is likely to exceed the average cost for the whole group, leading to an implicit subsidy for these retirees. The accounting standard requires the employer to identify and account for this implicit subsidy as well as any explicit subsidies the employer may provide.

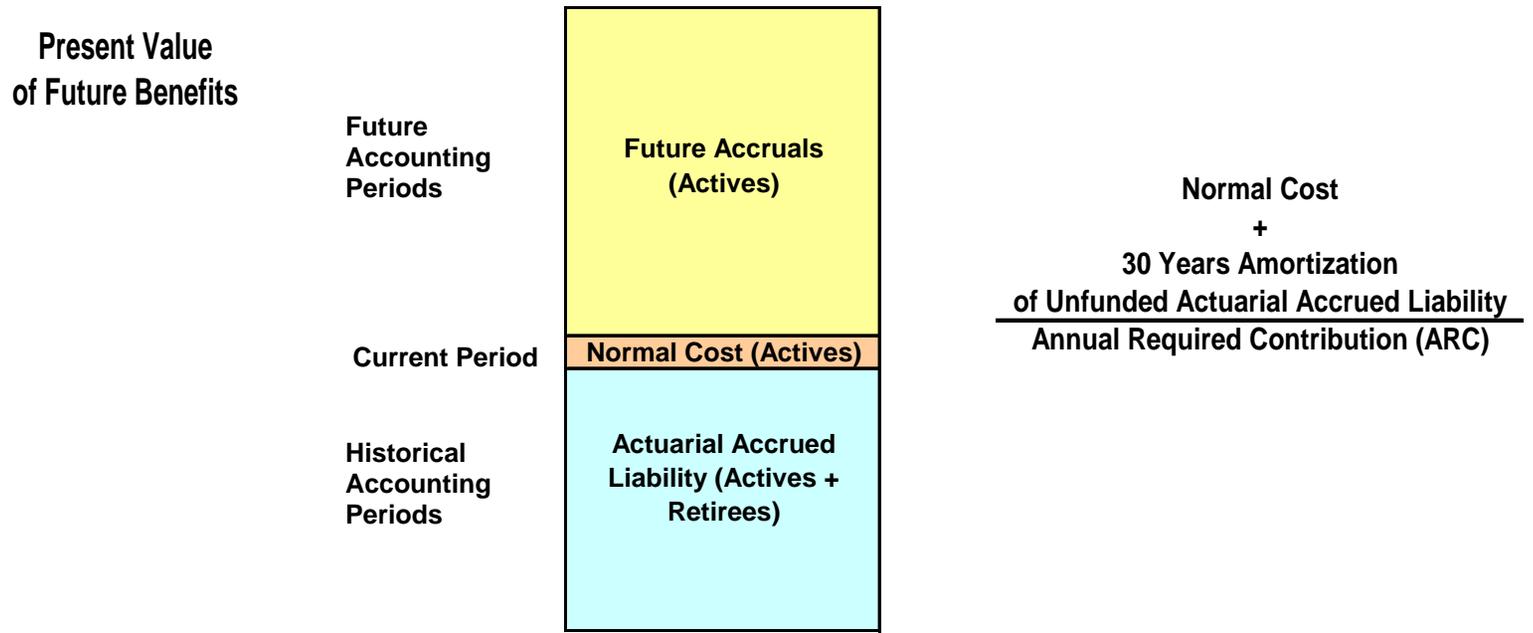


SECTION 1: Introduction for State of New Hampshire December 31, 2010 Measurement under GASB

This graph shows how the actuarial present value of the total projected benefits (APB) is broken down and allocated to various accounting periods.

The exact breakdown depends on the actuarial cost method and amortization methods selected by the employer.

GASB 43/45 Measurement



$$\text{Net OPEB Obligation} = \text{ARC}_1 + \text{ARC}_2 + \text{ARC}_3 + \dots - \text{Contribution}_1 - \text{Contribution}_2 - \text{Contribution}_3 - \dots$$

SECTION 1: Introduction for State of New Hampshire December 31, 2010 Measurement under GASB

Actuarial computations under GASB statements are for purposes of fulfilling certain welfare plan accounting requirements. The calculations shown in this report have been made on a basis consistent with our understanding of GASB. Determinations for purposes other than meeting the financial accounting requirements of GASB may differ significantly from the results reported here.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

SECTION 2: Valuation Results for the State of New Hampshire December 31, 2010 Measurement under GASB

SUMMARY OF VALUATION RESULTS

The key results and significant assumptions for the current year are shown on a funded basis and a pay-as-you-go basis.

	Funded (7.75% interest rate)	Pay-as-you-go (4.5% interest rate)
Actuarial Accrued Liability – Gross		
1. Current retirees, beneficiaries and dependents	\$755,151,321	\$1,054,277,450
2. Current active employees	<u>790,286,070</u>	<u>1,477,359,647</u>
3. Total as of December 31, 2010: (1) + (2)	\$1,545,437,391	\$2,531,637,097
NHRS Subsidy		
4. Current retirees, beneficiaries and dependents	\$108,223,669	\$137,209,151
5. Current active employees	<u>24,839,958</u>	<u>39,838,664</u>
6. Total as of December 31, 2010: (4) + (5)	\$133,063,627	\$177,047,815
Retiree Contributions		
7. Current retirees, beneficiaries and dependents	\$29,772,987	\$35,723,840
8. Current active employees	<u>40,469,928</u>	<u>61,045,075</u>
9. Total as of December 31, 2010: (7) + (8)	\$70,242,915	\$96,768,915
Actuarial Accrued Liability – Net		
10. Current retirees, beneficiaries and dependents	\$617,154,665	\$881,344,459
11. Current active employees	<u>724,976,184</u>	<u>1,376,475,908</u>
12. Total as of December 31, 2010: (10) + (11)	\$1,342,130,849	\$2,257,820,367
Annual Required Contribution for Fiscal Year Ending June 30, 2011		
13. Normal cost as of January 1, 2011	\$38,142,771	\$81,602,059
14. Amortization of the unfunded actuarial liability (30 years, increasing 4.5% per year)	<u>67,357,315</u>	<u>75,260,681</u>
15. Total Annual Required Contribution (ARC): (13) + (14)	\$105,500,086	\$156,862,740
16. Projected net benefit payments for fiscal year ending June 30, 2011	\$50,926,539	\$50,926,539

SECTION 2: Valuation Results for the State of New Hampshire December 31, 2010 Measurement under GASB

AGENCY RESULTS – FUNDED (7.75%)

Actuarial Accrued Liability (AAL) and Annual Required Contribution

	Community Colleges	Liquor Commission	Lottery Commission	Turnpike Commission	Other Employees	Total
Actuarial Accrued Liability – Gross						
1. Current retirees, beneficiaries and dependents	\$38,225,771	\$31,299,971	\$4,529,597	\$16,197,671	\$461,178,826	\$551,431,836
2. Current active employees	<u>47,077,171</u>	<u>19,431,355</u>	<u>2,847,488</u>	<u>15,235,349</u>	<u>539,579,945</u>	<u>624,171,308</u>
3. Total as of December 31, 2010: (1) + (2)	\$85,302,942	\$50,731,326	\$7,377,085	\$31,433,020	\$1,000,758,771	\$1,175,603,144
NHRS Subsidy and Retiree Contributions						
4. Current retirees, beneficiaries and dependents	\$5,028,360	\$6,625,124	\$385,953	\$2,940,187	\$73,865,443	\$88,845,067
5. Current active employees	<u>1,547,024</u>	<u>1,083,932</u>	<u>112,308</u>	<u>545,628</u>	<u>23,170,646</u>	<u>26,459,538</u>
6. Total as of December 31, 2010: (4) + (5)	\$6,575,384	\$7,709,056	\$498,261	\$3,485,815	\$97,036,089	\$115,304,605
Actuarial Accrued Liability – Net						
7. Current retirees, beneficiaries and dependents	\$33,197,411	\$24,674,847	\$4,143,644	\$13,257,484	\$387,313,383	\$462,586,769
8. Current active employees	<u>45,530,147</u>	<u>18,347,423</u>	<u>2,735,180</u>	<u>14,689,721</u>	<u>516,409,299</u>	<u>597,711,770</u>
9. Total as of December 31, 2010: (7) + (8)	\$78,727,558	\$43,022,270	\$6,878,824	\$27,947,205	\$903,722,682	\$1,060,298,539
Annual Required Contribution for Fiscal Year Ending June 30, 2009						
10. Normal cost as of January 1, 2011	\$2,747,572	\$1,040,530	\$122,725	\$903,915	\$26,630,787	\$31,445,529
11. Amortization of the unfunded actuarial liability (30 years, increasing 4.5% per year)	<u>3,951,088</u>	<u>2,159,152</u>	<u>345,226</u>	<u>1,402,582</u>	<u>45,354,992</u>	<u>53,213,040</u>
12. Total Annual Required Contribution (ARC): (10) + (11)	\$6,698,660	\$3,199,682	\$467,951	\$2,306,497	\$71,985,779	\$84,658,569
13. Projected net benefit payments for fiscal year ending June 30, 2011	\$3,108,455	\$1,961,030	\$369,574	\$1,222,047	\$34,014,153	\$40,675,259

Note: Agency results are based on agency codes reported in the data (see page 28).

SECTION 2: Valuation Results for the State of New Hampshire December 31, 2010 Measurement under GASB

AGENCY RESULTS – FUNDED (7.75%) CONTINUED

Actuarial Accrued Liability (AAL) and Annual Required Contribution			
	Firefighters	Police Officers	Grand Total
Actuarial Accrued Liability – Gross			
1. Current retirees, beneficiaries and dependents	\$5,567,312	\$198,152,173	\$755,151,321
2. Current active employees	<u>30,167,211</u>	<u>135,947,551</u>	<u>790,286,070</u>
3. Total as of December 31, 2010: (1) + (2)	\$35,734,523	\$334,099,724	\$1,545,437,391
NHRS Subsidy and Retiree Contributions			
4. Current retirees, beneficiaries and dependents	\$1,367,800	\$47,783,789	\$137,996,656
5. Current active employees	<u>2,917,389</u>	<u>35,932,959</u>	<u>65,309,886</u>
6. Total as of December 31, 2010: (4) + (5)	\$4,285,189	\$83,716,748	\$203,306,542
Actuarial Accrued Liability – Net			
7. Current retirees, beneficiaries and dependents	\$4,199,512	\$150,368,384	\$617,154,665
8. Current active employees	<u>27,249,822</u>	<u>100,014,592</u>	<u>724,976,184</u>
9. Total as of December 31, 2010: (7) + (8)	\$31,449,334	\$250,382,976	\$1,342,130,849
Annual Required Contribution for Fiscal Year Ending June 30, 2009			
10. Normal cost as of January 1, 2011	\$1,576,464	\$5,120,778	\$38,142,771
11. Amortization of the unfunded actuarial liability (30 years, increasing 4.5% per year)	<u>1,578,343</u>	<u>12,565,932</u>	<u>67,357,315</u>
12. Total Annual Required Contribution (ARC): (10) + (11)	\$3,154,807	\$17,686,710	\$105,500,086
13. Projected net benefit payments for fiscal year ending June 30, 2011	\$382,384	\$9,868,897	\$50,926,539

Note: Agency results are based on agency codes reported in the data (see page 28).

SECTION 2: Valuation Results for the State of New Hampshire December 31, 2010 Measurement under GASB

AGENCY RESULTS – PAY-AS-YOU-GO (4.5%)

Actuarial Accrued Liability (AAL) and Annual Required Contribution	Community Colleges	Liquor Commission	Lottery Commission	Turnpike Commission	Other Employees	Total
Actuarial Accrued Liability – Gross						
1. Current retirees, beneficiaries and dependents	\$52,543,817	\$43,660,517	\$6,217,874	\$22,290,685	\$636,774,831	\$761,487,724
2. Current active employees	<u>83,236,122</u>	<u>36,434,802</u>	<u>5,418,821</u>	<u>27,094,012</u>	<u>1,003,811,925</u>	<u>1,155,995,682</u>
3. Total as of December 31, 2010: (1) + (2)	\$135,779,939	\$80,095,319	\$11,636,695	\$49,384,697	\$1,640,586,756	\$1,917,483,406
NHRS Subsidy and Retiree Contributions						
4. Current retirees, beneficiaries and dependents	\$6,175,635	\$8,305,807	\$463,237	\$3,680,569	\$91,572,250	\$110,197,498
5. Current active employees	<u>2,134,649</u>	<u>1,656,133</u>	<u>161,954</u>	<u>781,325</u>	<u>34,379,280</u>	<u>39,113,341</u>
6. Total as of December 31, 2010: (4) + (5)	\$8,310,284	\$9,961,940	\$625,191	\$4,461,894	\$125,951,530	\$149,310,839
Actuarial Accrued Liability – Net						
7. Current retirees, beneficiaries and dependents	\$46,368,182	\$35,354,710	\$5,754,637	\$18,610,116	\$545,202,581	\$651,290,226
8. Current active employees	<u>81,101,473</u>	<u>34,778,669</u>	<u>5,256,867</u>	<u>26,312,687</u>	<u>969,432,645</u>	<u>1,116,882,341</u>
9. Total as of December 31, 2010: (7) + (8)	\$127,469,655	\$70,133,379	\$11,011,504	\$44,922,803	\$1,514,635,226	\$1,768,172,567
Annual Required Contribution for Fiscal Year Ending June 30, 2009						
10. Normal cost as of January 1, 2011	\$5,596,704	\$2,185,835	\$263,287	\$1,790,720	\$56,782,457	\$66,619,003
11. Amortization of the unfunded actuarial liability (30 years, increasing 4.5% per year)	<u>4,248,989</u>	<u>2,337,779</u>	<u>367,050</u>	<u>1,497,427</u>	<u>50,487,841</u>	<u>58,939,087</u>
12. Total Annual Required Contribution (ARC): (10) + (11)	\$9,845,693	\$4,523,614	\$630,337	\$3,288,147	\$107,270,299	\$125,558,090
13. Projected net benefit payments for fiscal year ending June 30, 2011	\$3,108,455	\$1,961,030	\$369,574	\$1,222,047	\$34,014,153	\$40,675,259

Note: Agency results are based on agency codes reported in the data (see page 28).

SECTION 2: Valuation Results for the State of New Hampshire December 31, 2010 Measurement under GASB

AGENCY RESULTS – PAY-AS-YOU-GO (4.5%) CONTINUED

Actuarial Accrued Liability (AAL) and Annual Required Contribution			
	Firefighters	Police Officers	Grand Total
Actuarial Accrued Liability – Gross			
1. Current retirees, beneficiaries and dependents	\$8,039,827	\$284,749,899	\$1,054,277,450
2. Current active employees	<u>56,792,869</u>	<u>264,571,096</u>	<u>1,477,359,647</u>
3. Total as of December 31, 2010: (1) + (2)	\$64,832,696	\$549,320,995	\$2,531,637,097
NHRS Subsidy and Retiree Contributions			
4. Current retirees, beneficiaries and dependents	\$1,727,767	\$61,007,726	\$172,932,991
5. Current active employees	<u>4,423,712</u>	<u>57,346,686</u>	<u>100,883,739</u>
6. Total as of December 31, 2010: (4) + (5)	\$6,151,479	\$118,354,412	\$273,816,730
Actuarial Accrued Liability – Net			
7. Current retirees, beneficiaries and dependents	\$6,312,060	\$223,742,173	\$881,344,459
8. Current active employees	<u>52,369,157</u>	<u>207,224,410</u>	<u>1,376,475,908</u>
9. Total as of December 31, 2010: (7) + (8)	\$58,681,217	\$430,966,583	\$2,257,820,367
Annual Required Contribution for Fiscal Year Ending June 30, 2009			
10. Normal cost as of January 1, 2011	\$3,466,217	\$11,516,839	\$81,602,059
11. Amortization of the unfunded actuarial liability (30 years, increasing 4.5% per year)	<u>1,956,041</u>	<u>14,365,553</u>	<u>75,260,681</u>
12. Total Annual Required Contribution (ARC): (10) + (11)	\$5,422,258	\$25,882,392	\$156,862,740
13. Projected net benefit payments for fiscal year ending June 30, 2011	\$382,384	\$9,868,897	\$50,926,539

Note: Agency results are based on agency codes reported in the data (see page 28).

SECTION 2: Valuation Results for the State of New Hampshire December 31, 2010 Measurement under GASB

FUNDING SCHEDULE

30 Years Closed (7.75% interest rate)

Fiscal Year Ended June 30	(1) Gross Benefit Payments	(2) Retiree Contributions	(3) NHRS Subsidy	(4) Projected Benefit Payments	(5) Normal Cost	(6) Amortization of UAAL	(7) Total Funding Requirement (5) + (6)	(8) Additional Funding (7) - (4)	(9) Assets at Mid-Year	(10) AAL at Mid-Year	(11) UAAL at Mid-Year (10) - (9)
2011	\$69,977,121	\$5,030,009	\$14,020,573	\$50,926,539	\$38,142,771	\$67,357,315	\$105,500,086	\$54,573,547	\$58,802,997	\$1,432,371,480	\$1,373,568,483
2012	73,253,963	5,358,154	13,839,642	54,056,168	40,049,910	70,388,394	110,438,304	56,382,136	124,111,981	1,528,288,527	1,404,176,546
2013	76,364,202	5,548,804	13,491,845	57,323,553	42,052,406	73,555,872	115,608,278	58,284,725	196,532,451	1,630,276,227	1,433,743,776
2014	82,795,841	5,778,095	13,203,558	63,814,188	44,155,026	76,865,886	121,020,912	57,206,724	273,403,961	1,735,439,888	1,462,035,927
2015	89,681,277	6,058,243	12,980,768	70,642,266	46,362,777	80,324,851	126,687,628	56,045,362	354,981,646	1,843,775,330	1,488,793,684
2016	96,671,132	6,336,070	12,726,686	77,608,377	48,680,916	83,939,469	132,620,385	55,012,008	441,768,162	1,955,498,579	1,513,730,417
2017	103,814,239	6,609,463	12,433,273	84,771,503	51,114,962	87,716,745	138,831,707	54,060,204	534,255,064	2,070,784,796	1,536,529,732
2018	111,330,862	6,903,983	12,180,979	92,245,900	53,670,710	91,663,999	145,334,709	53,088,809	632,863,023	2,189,705,850	1,556,842,827
2019	119,060,911	7,177,819	11,964,743	99,918,350	56,354,246	95,788,879	152,143,125	52,224,775	738,182,102	2,312,467,731	1,574,285,629
2020	127,056,326	7,439,286	11,815,823	107,801,217	59,171,958	100,099,379	159,271,337	51,470,120	850,850,269	2,439,285,954	1,588,435,685
2021	135,538,576	7,754,892	11,700,477	116,083,208	62,130,556	104,603,851	166,734,407	50,651,199	971,367,832	2,570,196,633	1,598,828,801
2022	143,430,396	8,129,366	11,511,427	123,789,603	65,237,084	109,311,024	174,548,108	50,758,505	1,101,341,128	2,706,296,533	1,604,955,405
2023	150,601,916	8,535,834	11,228,656	130,837,426	68,498,938	114,230,020	182,728,958	51,891,532	1,242,608,191	2,848,864,793	1,606,256,602
2024	158,132,012	8,962,626	10,872,491	138,296,895	71,923,885	119,370,371	191,294,256	52,997,361	1,396,014,982	2,998,134,896	1,602,119,914
2025	166,038,613	9,410,757	10,457,788	146,170,068	75,520,079	124,742,038	200,262,117	54,092,049	1,562,490,326	3,154,364,987	1,591,874,661
2026	174,340,544	9,881,294	10,005,311	154,453,939	79,296,083	130,355,430	209,651,513	55,197,574	1,743,058,712	3,317,845,684	1,574,786,972
2027	183,057,571	10,375,359	9,540,822	163,141,391	83,260,887	136,221,424	219,482,311	56,340,920	1,938,853,103	3,488,907,481	1,550,054,378
2028	192,210,450	10,894,127	9,066,553	172,249,771	87,423,931	142,351,388	229,775,319	57,525,548	2,151,097,996	3,667,897,968	1,516,799,972
2029	201,820,973	11,438,833	8,596,771	181,785,370	91,795,128	148,757,200	240,552,328	58,766,958	2,381,129,488	3,855,195,575	1,474,066,087
2030	211,912,022	12,010,775	8,136,280	191,764,968	96,384,884	155,451,274	251,836,158	60,071,190	2,630,393,731	4,051,201,192	1,420,807,461
2031	222,507,623	12,611,313	7,669,784	202,226,527	101,204,128	162,446,581	263,650,709	61,424,182	2,900,433,801	4,256,317,649	1,355,883,848
2032	233,633,004	13,241,879	7,207,890	213,183,236	106,264,334	169,756,677	276,021,011	62,837,775	3,192,925,123	4,470,977,150	1,278,052,027
2033	245,314,655	13,903,973	6,768,629	224,642,053	111,577,551	177,395,727	288,973,278	64,331,225	3,509,693,715	4,695,650,878	1,185,957,163
2034	257,580,388	14,599,172	6,345,326	236,635,890	117,156,429	185,378,535	302,534,964	65,899,074	3,852,701,230	4,930,824,702	1,078,123,472
2035	270,459,407	15,329,130	5,934,055	249,196,223	123,014,250	193,720,569	316,734,819	67,538,596	4,224,058,413	5,177,002,540	952,944,127
2036	283,982,378	16,095,587	5,541,459	262,345,333	129,164,963	202,437,995	331,602,958	69,257,625	4,626,048,031	5,434,718,388	808,670,357
2037	298,181,497	16,900,366	5,171,201	276,109,930	135,623,211	211,547,705	347,170,916	71,060,986	5,061,134,966	5,704,534,623	643,399,657
2038	313,090,572	17,745,385	4,814,901	290,530,287	142,404,372	221,067,352	363,471,724	72,941,437	5,531,967,324	5,987,030,383	455,063,059
2039	328,745,100	18,632,654	4,474,561	305,637,885	149,524,591	231,015,383	380,539,974	74,902,089	6,041,401,793	6,282,813,163	241,411,370
2040	345,182,355	19,564,287	4,158,226	321,459,843	157,000,821	241,411,075	398,411,896	76,952,053	6,592,526,269	6,592,526,269	-

Note: The projection of normal cost and actuarial accrued liability are based on a closed group projection. Therefore, the eligibility changes are only reflected for the affected individuals as of December 31, 2010.

SECTION 2: Valuation Results for the State of New Hampshire December 31, 2010 Measurement under GASB

PROJECTION OF THE ANNUAL REQUIRED CONTRIBUTION

30 Years Open (4.5% interest rate)

Fiscal Year Ended June 30	(1) Gross Benefit Payments	(2) Retiree Contributions	(3) NHRS Subsidy	(4) Projected Benefit Payments	(5) Normal Cost	(6) Amortization of UAAL	(7) ARC (5) + (6)	(8) Assets at Mid-Year	(9) AAL at Mid-Year	(10) UAAL at Mid-Year (9) - (8)
2011	\$69,977,121	\$5,030,009	\$14,020,573	\$50,926,539	\$81,602,059	\$75,260,681	\$156,862,740	\$0	\$2,391,478,202	\$2,391,478,202
2012	73,253,963	5,358,154	13,839,642	54,056,168	85,682,162	79,715,940	165,398,102	-	\$2,532,143,885	2,532,143,885
2013	76,364,202	5,548,804	13,491,845	57,323,553	89,966,270	84,404,796	174,371,066	-	\$2,680,201,999	2,680,201,999
2014	82,795,841	5,778,095	13,203,558	63,814,188	94,464,584	89,340,067	183,804,651	-	\$2,832,840,752	2,832,840,752
2015	89,681,277	6,058,243	12,980,768	70,642,266	99,187,813	94,428,025	193,615,838	-	\$2,990,148,682	2,990,148,682
2016	96,671,132	6,336,070	12,726,686	77,608,377	104,147,203	99,671,623	203,818,826	-	\$3,152,438,447	3,152,438,447
2017	103,814,239	6,609,463	12,433,273	84,771,503	109,354,564	105,081,282	214,435,846	-	\$3,319,987,476	3,319,987,476
2018	111,330,862	6,903,983	12,180,979	92,245,900	114,822,292	110,666,249	225,488,541	-	\$3,492,979,241	3,492,979,241
2019	119,060,911	7,177,819	11,964,743	99,918,350	120,563,406	116,432,641	236,996,047	-	\$3,671,737,392	3,671,737,392
2020	127,056,326	7,439,286	11,815,823	107,801,217	126,591,577	122,391,246	248,982,823	-	\$3,856,601,500	3,856,601,500
2021	135,538,576	7,754,892	11,700,477	116,083,208	132,921,155	128,553,383	261,474,538	-	\$4,047,744,223	4,047,744,223
2022	143,430,396	8,129,366	11,511,427	123,789,603	139,567,213	134,924,807	274,492,020	-	\$4,246,380,316	4,246,380,316
2023	150,601,916	8,535,834	11,228,656	130,837,426	146,545,574	141,546,011	288,091,585	-	\$4,453,882,445	4,453,882,445
2024	158,132,012	8,962,626	10,872,491	138,296,895	153,872,853	148,462,748	302,335,601	-	\$4,670,584,031	4,670,584,031
2025	166,038,613	9,410,757	10,457,788	146,170,068	161,566,495	155,686,134	317,252,629	-	\$4,896,849,579	4,896,849,579
2026	174,340,544	9,881,294	10,005,311	154,453,939	169,644,820	163,228,319	332,873,139	-	\$5,133,082,280	5,133,082,280
2027	183,057,571	10,375,359	9,540,822	163,141,391	178,127,061	171,102,743	349,229,804	-	\$5,379,731,008	5,379,731,008
2028	192,210,450	10,894,127	9,066,553	172,249,771	187,033,414	179,324,367	366,357,781	-	\$5,637,267,810	5,637,267,810
2029	201,820,973	11,438,833	8,596,771	181,785,370	196,385,085	187,908,927	384,294,012	-	\$5,906,201,564	5,906,201,564
2030	211,912,022	12,010,775	8,136,280	191,764,968	206,204,339	196,873,385	403,077,724	-	\$6,187,069,778	6,187,069,778
2031	222,507,623	12,611,313	7,669,784	202,226,527	216,514,556	206,235,659	422,750,215	-	\$6,480,418,908	6,480,418,908
2032	233,633,004	13,241,879	7,207,890	213,183,236	227,340,284	216,013,964	443,354,248	-	\$6,786,831,874	6,786,831,874
2033	245,314,655	13,903,973	6,768,629	224,642,053	238,707,298	226,227,729	464,935,027	-	\$7,106,937,489	7,106,937,489
2034	257,580,388	14,599,172	6,345,326	236,635,890	250,642,663	236,897,916	487,540,579	-	\$7,441,386,754	7,441,386,754
2035	270,459,407	15,329,130	5,934,055	249,196,223	263,174,796	248,046,225	511,221,021	-	\$7,790,856,767	7,790,856,767
2036	283,982,378	16,095,587	5,541,459	262,345,333	276,333,536	259,695,226	536,028,762	-	\$8,156,062,994	8,156,062,994
2037	298,181,497	16,900,366	5,171,201	276,109,930	290,150,212	271,868,766	562,018,978	-	\$8,537,757,924	8,537,757,924
2038	313,090,572	17,745,385	4,814,901	290,530,287	304,657,723	284,591,931	589,249,654	-	\$8,936,720,202	8,936,720,202
2039	328,745,100	18,632,654	4,474,561	305,637,885	319,890,609	297,890,673	617,781,282	-	\$9,353,766,708	9,353,766,708
2040	345,182,355	19,564,287	4,158,226	321,459,843	335,885,140	311,792,224	647,677,364	-	\$9,789,760,645	9,789,760,645

Note: The projection of normal cost and actuarial accrued liability are based on a closed group projection. Therefore, the eligibility changes are only reflected for the affected individuals as of December 31, 2010.

October 20, 2011

ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of the State of New Hampshire other postemployment benefit programs as of December 31, 2010, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements Number 43 and 45 for the determination of the liability for postemployment benefits other than pensions.

The actuarial valuation is based on the plan of benefits verified by the State and on participant, claims and expense data provided by the State or from vendors employed by the State.

The actuarial computations made are for purposes of fulfilling plan accounting requirements. Determinations for purposes other than meeting financial accounting requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination or adequacy of funding an ongoing plan.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements Number 43 and 45 with respect to the benefit obligations addressed. The signing actuaries are members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinion" to render the actuarial opinion contained herein.



Kathleen A. Riley, FSA, MAAA, EA
Senior Vice President and Actuary



Howard Atkinson, Jr., ASA, MAAA, FCA
Vice President and Health Actuary

SECTION 3: Valuation Details for the State of New Hampshire December 31, 2010 Measurement under GASB

CHART 1

Required Supplementary Information – Schedule of Employer Contributions

Plan Year Ended June 30,	Annual OPEB Cost	Actual Contributions	Percentage Contributed
2008	\$207,142,322	\$50,332,000	24.30%
2009	195,442,213	57,011,000	29.17%
2010	208,150,852	52,790,000	25.36%
2011	162,119,767	--	--

SECTION 3: Valuation Details for the State of New Hampshire December 31, 2010 Measurement under GASB

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CHART 2

Required Supplementary Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
12/31/2006	\$0	\$2,559,477,420	\$2,559,477,420	0%	\$558,400,000	458.36%
6/30/2008	0	2,470,484,690	2,470,484,690	0%	602,644,000	409.94%
12/31/2010	0	2,257,820,367	2,257,820,367	0%	--	--

SECTION 3: Valuation Details for the State of New Hampshire December 31, 2010 Measurement under GASB

CHART 3

Required Supplementary Information – Net OPEB Obligation (NOO)

Plan Year Ended June 30,	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) - (e) (f)	NOO as of Following Date (g)
2008	\$207,142,322	\$0	\$0	\$207,142,322	\$50,332,000	\$156,810,322	\$156,810,322
2009	193,729,073	7,056,464	(5,343,324)	195,442,213	57,011,000	138,431,213	295,241,535
2010	204,948,075	13,192,314	(9,989,537)	208,150,852	52,790,000	155,360,852	450,602,387
2011	156,862,740	20,277,107	(15,020,080)	162,119,767	--	--	--

SECTION 3: Valuation Details for the State of New Hampshire December 31, 2010 Measurement under GASB

CHART 4

Required Supplementary Information

Valuation date	December 31, 2010
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.5%, pay-as-you-go scenario
Inflation rate	4.5%
Projected salary increases	4.5%
Medical cost trend rate	9.00%, decreasing at 0.75% for 5 years and by 0.25% for 1 year to an ultimate level of 5.00%
Prescription drug cost trend rate	8.00%, decreasing at 0.75% for 5 years to an ultimate level of 5.00%
Plan membership:	
Current retirees, beneficiaries, and dependents	10,636
Current active members	<u>11,514</u>
Total	22,150

SECTION 4: Supporting Information for the State of New Hampshire December 31, 2010 Measurement under GASB

EXHIBIT I

Summary of Participant Data as of January 1, 2011

	Community Colleges	Liquor Commission	Lottery Commission	Turnpike Commission	Other Employees	Total Group 1	Firefighters	Police Officers	Total
Active Employees									
Number									
Male	342	164	12	126	4,000	4,644	226	1,098	5,968
Female	385	130	30	94	4,258	4,897	256	393	5,546
Total	727	294	42	220	8,258	9,541	482	1,491	11,514
Average age	50.9	48.1	48.0	52.2	48.2	48.5	47.0	43.7	47.8
Average years of service	10.1	11.8	14.1	10.4	11.8	11.6	10.2	11.1	11.5
Average age at hire	40.8	36.3	33.9	41.8	36.4	36.8	36.8	32.6	36.3
Retirees, Beneficiaries, and Dependents									
Number of individuals	586	440	67	249	6,879	8,221	54	2,361	10,636
Average age	70.5	70.0	70.2	71.3	70.6	70.6	61.5	66.0	69.5

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method

Data: Detailed census data, claims information, and summary plan descriptions for postemployment welfare benefits were provided by the State.

Actuarial Cost Method: Projected Unit Credit

Per Capita Cost Development:

Medical

Per capita claims costs were based on actual retiree paid claim experience furnished by Anthem for the period June 1, 2009, through May 31, 2011. Claims were separated by year and plan (under-65 vs. 65-and-over), and then total claims were divided by the number of adult members to yield a per capita claims cost.

Per capita claims for each plan year were then combined by taking a weighted average. The weights used in this average account for a number of factors including each plan year's volatility of claims experience and distance to the valuation year. Actuarial factors were then applied to the weighted average cost to estimate individual retiree and spouse costs by age and by gender.

Costs were then adjusted to reflect plan design changes effective after the experience period.

Prescription Drug

Per capita costs were based on actual retiree paid claim experience furnished by LGC/CVS Caremark for the period June 1, 2009, through May 31, 2011. Claims were separated by year and plan (under-65 vs. 65-and-over), then adjusted as described above to yield a combined weighted average per capita claims cost.

Costs were then adjusted to reflect plan design changes effective after the experience period.

Administrative Expenses

Administrative expenses were based on vendor contractual rates and fees.

SECTION 4: Supporting Information for the State of New Hampshire December 31, 2010 Measurement under GASB

Measurement Date:	December 31, 2010
Discount Rate:	7.75% funding and 4.5% pay-as-you-go
Postretirement Mortality Rates:	
<i>Healthy (Group 1 and Police Officers)</i>	1995 Buck Mortality Table set forward 1 year for males and females.
<i>Healthy (Firefighters)</i>	1989 Buck Mortality Table set back 3 years.
<i>Disabled</i>	1979 PBGC Mortality Table for Disabled Lives Receiving Social Security Benefits for males and females.

Termination Rates before Retirement:	Group 1 - Rate (%)						
	Age	Mortality*		Disability**		Withdrawal***	
		Male	Female	Male	Female	Male	Female
	20	0.06	0.02	0.03	0.02	8.00	10.00
	25	0.06	0.02	0.04	0.02	7.00	8.00
	30	0.06	0.03	0.05	0.02	6.50	7.00
	35	0.06	0.04	0.10	0.05	5.50	6.00
	40	0.06	0.07	0.18	0.08	4.50	5.00
	45	0.10	0.10	0.22	0.12	4.00	4.00
	50	0.15	0.14	0.27	0.18	3.50	3.50
	55	0.20	0.18	0.29	0.22	3.00	3.00
	60	0.30	0.23	0.00	0.00	0.00	0.00
	65	0.30	0.23	0.00	0.00	0.00	0.00

* 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.
 *** Withdrawal rates for first two years of employment are multiplied by 2.0. 80% of deferred vested terminations are assumed to elect a return of member contributions in lieu of a retirement benefit and retiree medical benefit.

SECTION 4: Supporting Information for the State of New Hampshire December 31, 2010 Measurement under GASB

Group 2 Police Officers – Rate (%)

Age	Mortality		Disability		Withdrawal
	Ordinary	Accidental	Ordinary	Accidental	
20	0.04	0.01	0.01	0.01	7.00
25	0.05	0.01	0.01	0.01	5.50
30	0.06	0.01	0.02	0.01	4.50
35	0.07	0.01	0.02	0.15	3.50
40	0.10	0.01	0.06	0.20	3.00
45	0.14	0.01	0.14	0.25	3.00
50	0.16	0.01	0.20	0.30	3.00
55	0.24	0.01	0.36	0.35	2.00
60	0.30	0.01	0.00	0.00	0.00
65	0.40	0.01	0.00	0.00	0.00

Group 2 Firefighters – Rate (%)

Age	Mortality		Disability		Withdrawal
	Ordinary	Accidental	Ordinary	Accidental	
20	0.03	0.02	0.02	0.05	1.00
25	0.04	0.02	0.02	0.05	1.00
30	0.04	0.02	0.02	0.07	1.00
35	0.05	0.02	0.02	0.09	1.00
40	0.07	0.02	0.02	0.20	1.00
45	0.10	0.02	0.02	0.25	1.00
50	0.11	0.02	0.02	0.30	1.00
55	0.17	0.02	0.02	0.35	1.00
60	0.21	0.02	0.02	0.40	0.00
65	0.28	0.02	0.00	0.00	0.00

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Retirement Rates:

Age	Rate (%)			
	Group I		Group II	
	Males	Females	Police Officers	Firefighters
45	0.00	0.00	27.00	15.00
46	0.00	0.00	27.60	15.00
47	0.00	0.00	28.20	15.00
48	0.00	0.00	28.80	15.00
49	0.00	0.00	29.40	15.00
50	3.01	3.00	30.00	15.00
51	3.11	3.00	30.60	15.00
52	3.21	3.00	31.20	15.00
53	3.31	3.00	31.80	15.00
54	3.40	3.00	32.40	15.00
55	3.50	3.00	33.00	25.00
56	4.40	4.00	30.00	26.00
57	5.50	5.00	28.75	27.00
58	7.70	7.00	28.00	28.00
59	10.00	10.50	27.50	29.00
60	12.50	13.00	27.00	30.00
61	15.00	15.00	26.67	29.00
62	17.00	17.00	27.08	28.00
63	19.00	18.00	27.50	27.00
64	21.00	18.50	27.92	26.00
65	24.00	19.00	28.33	25.00
66	26.00	19.50	28.75	25.00
67	24.00	19.00	29.17	25.00
68	22.00	18.00	29.58	25.00
69	20.00	17.00	30.00	25.00
70	100.00	100.00	100.00	100.00

Dependents:

Demographic data was available for spouses of current retirees. For current future retirees, husbands were assumed to be three years older than their wives. For future retirees who elect to continue their health coverage at retirement, 75% were assumed to have an eligible spouse. In both groups, 100% of eligible spouses are assumed to receive postretirement medical benefits.

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Per Capita Health Costs:

2011 medical and prescription drug claims costs are shown in the table below for retirees and for spouses at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

Age	Medical				Prescription Drug			
	Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female
45	\$4,821	\$6,048	\$2,990	\$4,514	\$1,298	\$1,629	\$805	\$1,216
50	5,722	6,517	3,997	5,233	1,541	1,755	1,076	1,409
55	6,795	7,015	5,348	6,057	1,830	1,889	1,440	1,631
60	8,070	7,562	7,159	7,025	2,173	2,036	1,928	1,892
65	1,773	1,507	1,773	1,507	2,581	2,194	2,581	2,194
70	2,055	1,624	2,055	1,624	2,991	2,364	2,991	2,364
75	2,214	1,748	2,214	1,748	3,224	2,545	3,224	2,545
80	2,385	1,885	2,385	1,885	3,471	2,744	3,471	2,744

2012 medical and prescription drug claims costs reflecting the changes effective January 1, 2012 are shown in the table below for retirees and for spouses at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

Age	Medical				Prescription Drug			
	Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female
45	\$4,933	\$6,189	\$3,060	\$4,620	\$1,303	\$1,634	\$808	\$1,220
50	5,855	6,670	4,090	5,355	1,546	1,761	1,080	1,414
55	6,954	7,180	5,472	6,199	1,836	1,896	1,445	1,637
60	8,258	7,739	7,327	7,190	2,180	2,043	1,935	1,899
65	1,751	1,488	1,751	1,488	2,508	2,132	2,508	2,132
70	2,029	1,604	2,029	1,604	2,907	2,298	2,907	2,298
75	2,187	1,726	2,187	1,726	3,133	2,473	3,133	2,473
80	2,355	1,861	2,355	1,861	3,374	2,666	3,374	2,666

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Health Care Cost Trend Rates: Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are “net” and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that must be applied to that year’s cost to yield the next year’s projected cost.

Year Ending December 31,	Medical	Prescription Drug
2011	9.00%	8.00%
2012	8.25%	7.25%
2013	7.50%	6.50%
2014	6.75%	5.75%
2015	6.00%	5.00%
2016	5.25%	5.00%
2017 & later	5.00%	5.00%

NHRS Retiree Medical Subsidy: Based on information received from the New Hampshire Retirement System, the postretirement subsidy is assumed to continue without future increases indefinitely.

Retiree Contribution Increase Rate: The contribution of 12.5% of working rates per retiree or spouse under the age of 65 is assumed to increase with medical trend.

Participation and Coverage Election: 100% of active employees with coverage are assumed to elect retiree coverage.

Plan Design: Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.

Administrative Expenses: An administrative expense load of \$209 per non-Medicare-eligible retiree and \$199 per Medicare-eligible retiree increasing at 4.0% per year was added to projected incurred claim costs in developing the benefit obligations.

Annual Maximum Benefits: No increase in the annual maximum benefit levels was assumed.

Lifetime Maximum Benefits: No information was available regarding accumulations toward lifetime maximum benefits and no such accumulations were assumed.

Missing Participant Data: A missing census item for a given participant was assumed to equal the average value of that item over all other participants of the same status for whom the item is known.

Agency Department Codes:

Agency groupings for actives were based primarily on the agency codes as provided and secondarily on the Choicelinx description. For codes that included multiple groups, a grouping was based on the group that had the larger numbers of employees unless the Choicelinx description indicated police or fire. Legislative group was set based on the text information in the agency description.

Agency groupings for retirees were based primarily on the payroll codes as provided and secondarily on the "last plan worked" codes in the data file. For codes that included multiple groups, a grouping was based on the group that had the larger numbers of retirees with that code or based on information provided by the "last plan worked" codes.

Health Care Reform Assumption:

The Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 creates a temporary reinsurance program for eligible health care coverage for pre-Medicare retirees over age 55. The program will reimburse the plan sponsor for 80% of the retiree claims between \$15,000 and \$90,000. Due to the short nature of this program, the limited financing, and uncertainty of qualifying and receiving payment (the program will be on a first come first served basis until financing runs out), we have not reflected the value of this program in the valuation.

**Assumption Changes
Since Prior Valuation:**

Per capita health costs and administrative expenses were recalculated based on more recent data.

The medical and drug trends were updated to better reflect experience and future expectations.

EXHIBIT III

Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Eligibility:

The following groups of retirees receiving a pension from the New Hampshire Retirement System are eligible for postretirement medical benefits:

Group I:

- Retirees whose service began before July 1, 2003, with at least 10 years of State creditable service, are eligible at age 60.
- Retirees whose service began after July 1, 2003 and before July 1, 2011, with at least 20 years of State creditable service, are eligible at age 60.
- Retirees whose service began before July 1, 2011, with at least 30 years of State creditable service, are eligible at any age.
- Retirees whose service began after July 1, 2011 with at least 20 years of State creditable service, are eligible at age 65.
- Vested Deferred Retirees and Early Service Retirees who satisfy the above criteria and collect their pensions before age 60 (or 65, if applicable), are eligible at age 60 (or 65, if applicable).

Group II:

- Retirees whose service began before July 1, 2010 are eligible at retirement.
- Retirees whose service began after July 1, 2010, with at least 20 years of State creditable service, are eligible at retirement.
- Vested Deferred Retirees who are in vested status before January 1, 2012 are eligible when 20 years of service would have been completed and they are at least age 45.
- Vested Deferred Retirees whose service began after July 1, 2011 are eligible when 25 years of service would have been completed and they are at least age 50.

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- Vested Deferred Retirees hired before July 1, 2011 who have not attained vested status before January 1, 2012 are eligible at retirement subject to the following transition rules:

Creditable Service on January 1, 2012	Minimum Years of Service	Minimum Age Attained
Less than 4 years	24	49
At least 4 but less than 6 years	23	48
At least 6 but less than 8 years	22	47
At least 8 but less than 10 years	21	46

Disability: Retirees on Ordinary (non-job-related) or Accidental (job-related) Disability Retirement are eligible at any age.

Ordinary Death: Surviving spouse is eligible if the employee met the eligibility criteria for State-paid medical coverage.

Accidental Death: Surviving spouse and minor children are eligible.

Post-Retirement Death: Surviving spouse is eligible.

Benefit Types:

Medical coverage is self-funded and was administered by Anthem. Retirees not yet eligible for Medicare participate in a Network Open Access Point of Service (POS) or a Preferred Provider Organization (PPO) plan depending on their geographic location. Retirees eligible for Medicare participate in an indemnity plan that coordinates with Medicare.

Prescription drug coverage is self-funded and administered by LGC/CVS Caremark.

The monthly working rates for retiree medical coverage, effective January 1, 2012, are as follows:

	Individual	2-person	Family
Retiree Under Age 65	\$884.50	\$1,771.91	\$2,393.79
Retiree Age 65 and Older	\$337.13	N/A	N/A

Duration of Coverage:

Lifetime.

Dependent Benefits:

Medical and Prescription Drugs.

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Dependent Coverage: Benefits are payable to a spouse for their lifetime, regardless of when the retiree dies.

Retiree Contributions: The retiree health insurance premium contribution required for postretirement medical coverage is changing effective July 1, 2011 from \$65 to 12.5% of the working rate per month per retiree or spouse under the age of 65.

NHRS Subsidy: The State receives a postretirement medical subsidy from the New Hampshire Retirement System for retirees that meet the following criteria (in addition to the eligibility requirements described earlier in this section):

Group I: Employees who retired on or before July 1, 2004.

Group II: Employees who were active or retired as of June 30, 2000, or active as of June 30, 2005, and subsequently retired on Accidental Disability Retirement.

The current monthly subsidy amounts, are as follows:

	<u>One person</u>	<u>Two person</u>
Retiree Under Age 65	\$375.56	\$751.12
Retiree Age 65 and Older	\$236.84	\$473.68

As a result of the 2011 legislative changes, these subsidies will not increase in the future.

In addition, there is a group of 76 retirees whose subsidy amount is equal to 100% of the premium.

Benefit Descriptions:

Medical for Retirees Under Age 65 (effective January 1, 2012)	In-Network	Out-Of-Network
<i>Annual Deductible</i>	\$500 individual / \$1,000 family	\$650 individual / \$1,300 family
<i>Coinsurance</i>	100%	80%
<i>Physicians Office Visit</i>	\$10 copay (\$30 for specialists)	Coinsurance & deductible
<i>Emergency Room</i>	\$150 copay	\$150 copay
<i>Hospital</i>	Coinsurance & deductible	Coinsurance & deductible
<i>Maximum Out-Of-Pocket Expense</i>	\$1,850 individual / \$3,700 family	\$1,850 individual / \$3,700 family

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Medical for Retirees Age 65 and Older (effective January 1, 2012)	
<i>Annual Deductible</i>	Medicare Part B deductible
<i>Coinsurance</i>	100% after deductible (if applicable)
Prescription Drug (effective January 1, 2012)	
<i>Retail</i>	\$10 generic / \$20 preferred brand / \$35 non-preferred brand
<i>Mail Order</i>	\$1 generic / \$40 preferred brand / \$70 non-preferred brand
<i>Maximum Out-Of-Pocket Expense</i>	\$500 individual / \$1,000 family

**Plan Changes
since Prior Valuation:**

Effective October 1, 2010, the following prescription drug changes were implemented: exclusive specialty; voluntary mandatory mail; drug utilization review program and \$1 generic copayment for mail order.

Effective July 1, 2011, Retiree Under 65 premium contributions were increased from \$65 per month to 12.5% of the working rates, in accordance with House Bill 2 of the 2011 legislative session.

In addition, several other eligibility changes were made as part of the 2011 legislative session. These changes were described earlier in the report.

Effective January 1, 2012, the following Retiree Under 65 plan changes will be implemented: \$30 specialist office visit copayment; \$150 emergency room copayment; \$150 advanced imaging copayment; \$500/\$1,000 deductible; and enhancements to the Compass program.

Effective January 1, 2012, the State will no longer pay the Medicare Part B deductible for Retiree Over 65 Plan participants.

Effective January 1, 2012, the following prescription drug plan changes will be implemented: specialty guideline management; Core Gaps in Care; prescription

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quantity limits; generic step therapy with mandatory generic; and the increase to the copayments and maximum out-of-pockets outlined in the benefits chart above.

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