



# **NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN**

## **SCHEDULE OF PENSION AMOUNTS**

**December 31, 2014 and 2013**

**With Independent Auditor's Report**



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
New Hampshire Judicial Retirement Plan

We have audited the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense as of and for the year ended December 31, 2014 and net pension liability as of December 31, 2013 (the "specified columns") included in the accompanying schedule of pension amounts of New Hampshire Judicial Retirement Plan (the Plan), as of and for the year ended December 31, 2014 and as of December 31, 2013, and the related notes.

### ***Management's Responsibility for the Schedule***

Plan management is responsible for the preparation and fair presentation of the schedule of pensions amounts in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the schedule of pension amounts that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the specified columns included in the schedule of pension amounts based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the specified columns of the schedule of pension amounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in specified columns included in the schedule of pension amounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the specified columns included in the schedule of pension amounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the specified columns of the schedule of pension amounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the specified columns included in the schedule of pension amounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees  
New Hampshire Judicial Retirement Plan

***Opinion***

In our opinion, the schedule of pension amounts presents fairly, in all material respects, the net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense as of and for the year ended December 31, 2014 and the net pension liability as of December 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Plan as of December 31, 2014 and 2013 and for the year ended December 31, 2014, and our report thereon, dated August 14, 2015, expressed an unmodified opinion on those financial statements.

***Restriction on Use***

Our report is intended solely for the information and use of the Plan, the Board of Trustees of the Plan, the State of New Hampshire and the auditors of the State of New Hampshire and is not intended to be and should not be used by anyone other than these specified parties.

*Berry Dunn McNeil & Parker, LLC*

Manchester, New Hampshire  
December 23, 2015

**NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN**

**Schedule of Pension Amounts**

**As of and for the Year Ended December 31, 2014 and as of December 31, 2013**

<u>As of December 31, 2013</u>	<u>As of December 31, 2014</u>		<u>For the Year Ended December 31, 2014</u>	
<u>Net Pension Liability</u>	<u>Net Pension Liability</u>	<u>Total Deferred Outflows of Resources</u>	<u>Total Deferred Inflows of Resources</u>	<u>Total Pension Expense</u>
<u>\$ 36,590,172</u>	<u>\$ 36,475,010</u>	<u>\$ 278,010</u>	<u>\$ -</u>	<u>\$ 4,530,080</u>

---

The accompanying notes are an integral part of the schedule of pension amounts.

# NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

## Notes to the Schedule of Pension Amounts

December 31, 2014 and 2013

### 1. Description of Plan

Effective January 1, 2005 New Hampshire Revised Statutes Annotated (RSA) Chapter 100-C established the New Hampshire Judicial Retirement Plan (the Plan) to provide its members and their beneficiaries with retirement, death, and disability benefits. Pursuant to Chapter 311 of the 2003 N.H. Laws (Chapter 311), full time New Hampshire state judges who retired before January 1, 2005, and their surviving spouses and beneficiaries continue to receive retirement benefits pursuant to statutes that otherwise were repealed by Chapter 311 rather than pursuant to RSA Chapter 100-C. The legislature of the State of New Hampshire (the State) may amend the Plan from time to time.

The following brief description of the the Plan is provided for general information purposes only. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

#### General

The Plan is a single-employer defined benefit plan within the meaning of Section 401(a) of the Internal Revenue Code providing disability, death, and retirement protection to members and their families. Participation in the Plan is mandatory for all full-time Supreme, Superior, and Circuit Court judges employed within the State of New Hampshire (the State).

Plan membership consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
Retirees and beneficiaries currently receiving benefits	64	61
Terminated inactive members	1	1
Active or vested members	<u>54</u>	<u>49</u>
Total members	<u>119</u>	<u>111</u>

#### Administration

The Plan is administered by an appointed Board of Trustees, which is separate from the Board of Trustees of the New Hampshire Retirement System (the Retirement System). Duties of the Board of Trustees include overseeing investments, approving the actuarial valuation of the Plan (including the actuarial assumptions), interpreting statutory provisions, authorizing benefit payments, and formulating administrative policies and procedures.

Certain daily administrative functions of the Plan have been delegated by the Board of Trustees to the Retirement System and an executive director. The Retirement System processes all requests for retirement, maintains member records, and serves as the Plan's information center. The Plan has one part-time employee.

All employer and member contributions are deposited into separate trust funds that are managed and controlled by the Board of Trustees of the Plan.

# NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

## Notes to the Schedule of Pension Amounts

December 31, 2014 and 2013

### **Eligibility and Pension Benefits**

Any member of the Plan who has at least 10 years of creditable service and who is at least 65 years old is entitled to retirement benefits equal to 75% of the member's final year's salary. Any member who has at least 7 years of creditable service and who is at least 70 years old is entitled to a retirement benefit of at least 45% of the member's final year's salary. A member who is at least 70 years old shall be granted an additional 10% over the 45% level for each year of creditable service that the member has over 7 years. Any member who is at least 60 years old with at least 15 years of service is entitled to 70% of the member's final year's salary, plus an additional 1% for each year of additional service in excess of 15 years. However, under no circumstances shall any retirement benefit exceed 75% of the member's final year's salary.

Upon death, a member's surviving spouse, as long as he or she remains unmarried, is annually entitled to 50% of the member's final year's salary. If the deceased member does not have a surviving spouse, 50% of the member's final year's salary is equally divided, annually, among the member's children until attaining the age of 18. For purposes of determining the above benefit, the member's final year's salary is equal to compensation earned in the prior 12-month period in which the employee was a member of the Plan. The 12-month period in which the final year's salary is received consists of the final 26 pay periods in which the State has paid the member the member's salary before the member's retirement. Judges who retired before the effective date of the Plan, January 1, 2005, and their surviving spouses receive different benefits pursuant to previous statutes that have been otherwise superseded by RSA Chapter 100-C.

### **Disability Retirement**

Regardless of a member's length of service, any member who becomes permanently and totally disabled may apply for retirement. Upon certification of disability by a Board designated physician, a member is deemed retired and receives a benefit equal to 70% of the final year's salary.

## **2. Summary of Significant Accounting Policies**

### **Basis of Presentation**

The schedule of pension amounts (the Schedule) is prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *"Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27"*. The Schedule is prepared on an accrual basis of accounting. Contributions are recorded in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the Plan.

### **Use of Estimates**

The preparation of the Schedule requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, disclosure of contingent assets and liabilities, and the actuarial valuation at the date of the Schedule. Actual results could differ from those estimates.

## NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

### Notes to the Schedule of Pension Amounts

December 31, 2014 and 2013

#### 3. Contributions

The Plan's Board of Trustees sets the contribution rates which are fixed on the basis of the liabilities of the Plan with respect to its members, as determined by the actuarial valuation. Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the total pension liability.

All eligible judges are required to contribute 10% of their salaries to the Plan until they become eligible for a service retirement equal to 75% of their final year's salary. If a member ceases employment for reasons other than retirement or death, the Plan refunds accumulated member contributions with accrued interest within three months after a written request has been received. Interest is calculated at rates determined by the Board of Trustees from time to time. The State was required to contribute 41% of the member's salary through June 30, 2013. Effective July 1, 2013, the State's required contribution rate was increased to 64.5% of the member's salary.

#### 4. Net Pension Liability

The total pension liability was determined by an actuarial valuation as of January 1, 2014, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date of December 31, 2014. There have been no significant changes between the valuation date and the measurement date. The following table presents the components of the net pension liability as of December 31, 2014 and the changes in net pension liability for the year ended December 31, 2014, as determined by the actuary:

Total pension liability	\$ 83,398,464
Fiduciary net position	<u>46,923,454</u>
Net pension liability	<u>\$ 36,475,010</u>
Fiduciary net position as a percentage of total pension liability	<u>56.3 %</u>

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of December 31, 2013	\$ 81,173,813	\$ 44,583,641	\$ 36,590,172
Service cost	2,351,631	-	2,351,631
Interest on pension liability	5,648,073	-	5,648,073
Benefit payments	(5,775,053)	(5,775,053)	-
Employer contributions	-	4,923,252	(4,923,252)
Member contributions	-	635,394	(635,394)
Net investment income	-	2,758,921	(2,758,921)
Administrative expenses	-	(202,701)	202,701
Balances as of December 31, 2014	<u>\$ 83,398,464</u>	<u>\$ 46,923,454</u>	<u>\$ 36,475,010</u>

## NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

### Notes to the Schedule of Pension Amounts

December 31, 2014 and 2013

#### Actuarial Assumptions

The assumptions shown below have been adopted by the Plan's Board of Trustees in connection with the January 1, 2014 actuarial valuation. There have been no significant changes between the valuation date and the measurement date.

<b>Valuation Timing</b>	Actuarially determined contribution rates are calculated as of January 1, 18 and 30 months prior to the ends of the fiscal years in which the contributions are reported
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	
Level percent or level dollar	Level dollar
Closed, open or layered periods	Closed
Amortization period at 1/1/2014	26 years
<b>Amortization Method</b>	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	+/- 20%
<b>Inflation</b>	2.75%
<b>Salary Increases</b>	2.25% as of July 1, 2014; 2.25% as of January 1, 2015; 3% per year thereafter
<b>Investment Rate of Return</b>	7.00%
<b>Cost of Living Adjustments</b>	2.25% for two years, 3% thereafter
<b>Retirement Age</b>	25% are assumed to retire at age 60 with 15 years of service 50% are assumed to retire at age 65 100% are assumed to retire at age 70 with 7 years of service 5% are assumed to retire at each age between ages 60 and 65 15% are assumed to retire at each age between ages 66 and 69
<b>Turnover</b>	None
<b>Mortality</b>	1994 Group Annuity Mortality
<b>Disabled Life Mortality</b>	Males: 80% of PBGC Male Disabled Mortality Females: 60% of PBGC Female Disabled Mortality

The Plan has not had a formal actuarial experience study performed.

## NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

### Notes to the Schedule of Pension Amounts

December 31, 2014 and 2013

#### Single Discount Rate

A single discount rate of 7.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.0%, which is reported net of the inflation assumption used to obtain the real weighted returns shown above. The projection of cash flows used to determine the single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

The following presents the net pension liability as of December 31, 2014, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease <u>(6.0%)</u>	Current Discount Rate <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Net pension liability	\$ <u>41,660,639</u>	\$ <u>36,475,010</u>	\$ <u>28,219,874</u>

# NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

## Notes to the Schedule of Pension Amounts

December 31, 2014 and 2013

### Long-Term Expected Real Rate of Return

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The following table presents the weighted average long-term expected geometric real rate of return:

	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Large cap equities	34.6%	4.39%
Small cap equities	<u>4.6%</u>	4.63%
Domestic equity	39.2%	
International equity	15.8%	6.29%
Inflation-indexed bonds	5.3%	0.88%
Core fixed income	<u>16.1%</u>	1.95%
Fixed income	21.4%	
Alternatives	22.9%	2.93%
Cash and cash equivalents	0.7%	0.49%

# NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

## Notes to the Schedule of Pension Amounts

December 31, 2014 and 2013

### 5. Components of the Schedule of Pension Amounts

#### Difference between Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over the average remaining service life of activity and inactive participants. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. There was no difference between expected and actual experience for the year ended December 31, 2014. As 2014 was the year in which GASB Statement No. 68 was adopted and roll-forward procedures were used to determine the total pension liability at the measurement date, there were no changes between expected and actual expense.

#### Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over the average of the expected remaining service life of active and inactive participants. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. There were no changes in actuarial assumptions for the year ended December 31, 2014.

#### Net Difference Between Projected and Actual Investment Earnings on Plan Investments

The difference between the actual earnings on Plan investments compared to the Plan's expected rate of return of 7.0% is amortized over a closed period of 5 years. The amount of the difference between projected and actual earnings for the year ended December 31, 2014 is \$347,513. The first year of amortization, \$69,503, is recognized in pension expense, and the remaining amount of \$278,010, is shown as deferred outflows of resources. The following table presents the calculation of deferred outflows of resources as of December 31, 2014:

Actual investment earnings for the year ended December 31, 2014:	\$ 2,758,921
Projected investment earnings for the year ended December 31, 2014:	<u>3,106,434</u>
Net difference between actual and projected investments earnings	\$ <u>(347,513)</u>
Recognition period for assets (in years)	5
Expensed portion of current period difference between projected and actual investment earnings	\$ <u>69,503</u>
Deferred outflows of resources to be recognized in future pension expense	\$ <u>278,010</u>

# NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

## Notes to the Schedule of Pension Amounts

December 31, 2014 and 2013

### Pension Expense

The following table presents the calculation of pension expense for the year ended December 31, 2014:

Service cost	\$ 2,351,631
Interest on the total pension liability	5,648,073
Administrative expenses	202,701
Participant contributions	(635,394)
Expected investment return, net of investment expenses	(3,106,434)
Recognition of deferred outflows of resources	
Recognition of investment losses	<u>69,503</u>
Total pension expense	<u>\$ 4,530,080</u>

### 6. Future Recognition of Deferred Outflows of Resources

Amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year ending December 31:	
2015	\$ 69,503
2016	69,503
2017	69,503
2018	69,501

### 7. Additional Financial Information

The Plan issues a stand-alone financial report that is available to the public by contacting the Executive Director of the Plan at 14 South Street, Suite 5, Concord, NH 03301