

# State of New Hampshire

Actuarial Valuation and Review of Other  
Postemployment Benefits (OPEB) as of  
December 31, 2012 in accordance with  
GASB Statements No. 43 and No. 45





116 Huntington Avenue 8th Floor Boston, MA 02116-5744  
T 617.424.7300 www.segalco.com

*September 27, 2013*

*Ms. Catherine A. Keane  
Administrator of Risk and Benefits  
Department of Administrative Services  
25 Capitol Street  
Concord, NH 03301*

*Dear Ms. Keane:*

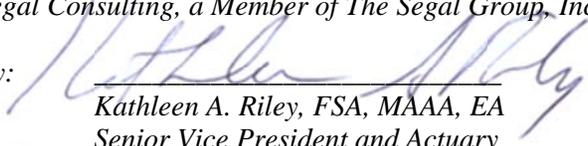
*We are pleased to submit this Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of December 31, 2012 under Governmental Accounting Standards Board Statements Number 43 and 45. The report summarizes the actuarial data used in the valuation, discloses the Net OPEB obligation (NOO) as of June 30, 2013, establishes the Annual Required Contribution (ARC) for fiscal year 2013, and analyzes the preceding year's experience. This report was based on the census data provided by the State and the terms of the Plan. The actuarial calculations were completed under the supervision of Kathleen A. Riley, FSA, MAAA, EA, Senior Vice President and Actuary and Daniel J. Rhodes, ASA, FCA, MAAA, Vice President and Consulting Actuary.*

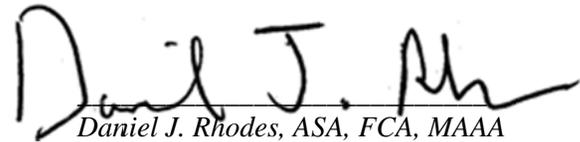
*This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions used in this valuation and described in Exhibit II are reasonably related to the experience of and the expectations for the Plan. The actuarial projections are based on these assumptions and the plan of benefits as summarized in Exhibit III.*

*Sincerely,*

*Segal Consulting, a Member of The Segal Group, Inc.*

*By:*

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

  
*Daniel J. Rhodes, ASA, FCA, MAAA  
Vice President and Consulting Actuary*

*cc: Andrew D. Sherman  
Stephen L. Kuhn*

*7860698v5/05855.075*

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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, 2012. 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).

**HIGHLIGHTS OF THE VALUATION**

During the fiscal year ending June 30, 2013, 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 \$49,919,000. This amount is less than the annual “cost” (the “Annual Required Contribution” or ARC) of approximately \$132,331,000

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%.

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 open amortization of the UAAL (the maximum permitted by the GASB statements), with payments increasing at 3.75% per year. In the prior valuation, payments were calculated to increase 4.5% per 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 \$93,562,000, and the employer pays claims and expenses to retirees of \$49,919,000, then an additional contribution of the difference, or approximately \$43,643,000 will need to be added to an OPEB trust fund during the fiscal year ending June 30, 2013.

On page 9, we show a funding schedule using the funded discount rate and a closed amortization beginning July 1, 2013. 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

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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 10 shows a projection of the Annual Required Contribution. Please note that the projections on both pages 9 and 10 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 changes adopted in the past few years to retirement eligibility and to retiree medical eligibility are reflected for only the affected individuals as of December 31, 2012. 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.

This valuation does not include the potential impact of any future changes due to the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 other than the excise tax on high cost health plans beginning in 2018 (reflected with this valuation) and those previously adopted as of the valuation date.

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### KEY VALUATION RESULTS

A summary of significant valuation results follows:

- The **unfunded actuarial accrued liability (UAAL)** as of December 31, 2012 is \$1,140,302,000 (funded) and \$1,856,714,000 (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, 2012, the ratio of assets to the AAL (the funded ratio) is 0%.
- The **Annual Required Contribution (ARC)** is \$93,562,000 (funded) and \$132,331,000 (pay-as-you-go) this year. The ARC is expected to remain relatively 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, 2013 are \$49,919,000. 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 gain** decreased obligations. This was the net result of gains and losses due to demographic changes, changes in Group code for a number of employees, the addition of new employees with a lower level of benefits, and other miscellaneous changes.
- **Valuation assumption changes** 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 and changes to the future trend on per capita health costs, partially offset by an *increase* in obligations due to incorporating the changes in the demographic assumption shown in the NHRS Experience Study for the period July 1, 2005 – June 30, 2010. The medical and prescription drug per capita health costs for the prior and current valuations are shown on the following page. The complete set of assumptions is shown in Exhibit II.
- The addition of the **PPACA excise tax on high cost health plans** in this valuation increased obligations. Reflecting this tax in the valuation resulted in a 1.4% increase in the actuarial accrued liability and a 2.8% increase in normal cost.

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The per capita health costs for retirees and spouses at selected ages used in the prior and current valuations are shown below:

**Per Capita Health Costs for 2012\***

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
64	9,467	8,206	9,244	8,086	2,424	2,101	2,366	2,070
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

**Per Capita Health Costs for 2013**

Age	Medical				Prescription Drug			
	Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female
45	\$4,673	\$5,863	\$2,897	\$4,375	\$1,138	\$1,429	\$706	\$1,066
50	5,546	6,317	3,874	5,073	1,352	1,540	944	1,237
55	6,587	6,801	5,184	5,872	1,606	1,658	1,264	1,431
60	7,823	7,330	6,940	6,810	1,907	1,787	1,692	1,660
64	8,975	7,776	8,761	7,665	2,188	1,896	2,136	1,868
65	1,693	1,439	1,693	1,439	2,265	1,925	2,265	1,925
70	1,962	1,551	1,962	1,551	2,625	2,074	2,625	2,074
75	2,114	1,669	2,114	1,669	2,829	2,233	2,829	2,233

\* Reflects changes effective January 1, 2012.

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

**SECTION 1: Introduction for the State of New Hampshire December 31, 2012 Measurement  
Under GASB 43 and 45**

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**RECONCILIATION OF CHANGES IN OPEB UAAL**

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	<b>Pre- funded (7.75% interest rate)</b>	<b>Pay-as-you-go (4.5% interest rate)</b>
<b>Unfunded actuarial accrued liability as of December 31, 2010</b>	\$1,342,000,000	\$2,258,000,000
<b>Change in UAAL attributable to:</b>		
Benefits earned net of benefits paid, NHRS subsidy and retiree contributions	\$183,000,000	\$264,000,000
Actuarial experience gain	-218,000,000	-395,000,000
Changes in demographic assumptions	98,000,000	160,000,000
Changes in per capita costs and trends	-281,000,000	-457,000,000
Reflection of PPACA excise tax	<u>16,000,000</u>	<u>27,000,000</u>
<b>Total change in unfunded actuarial accrued liability</b>	-\$202,000,000	-\$401,000,000
<b>Unfunded actuarial accrued liability as of December 31, 2012</b>	\$1,140,000,000	\$1,857,000,000

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**SECTION 1: Introduction for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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**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.

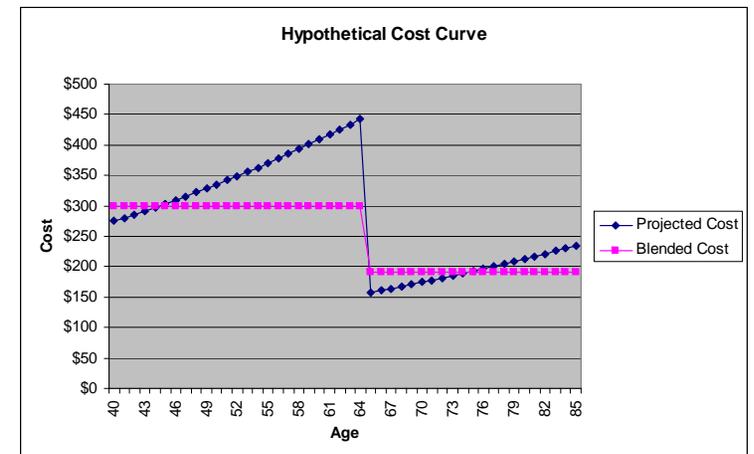
The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits, 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.



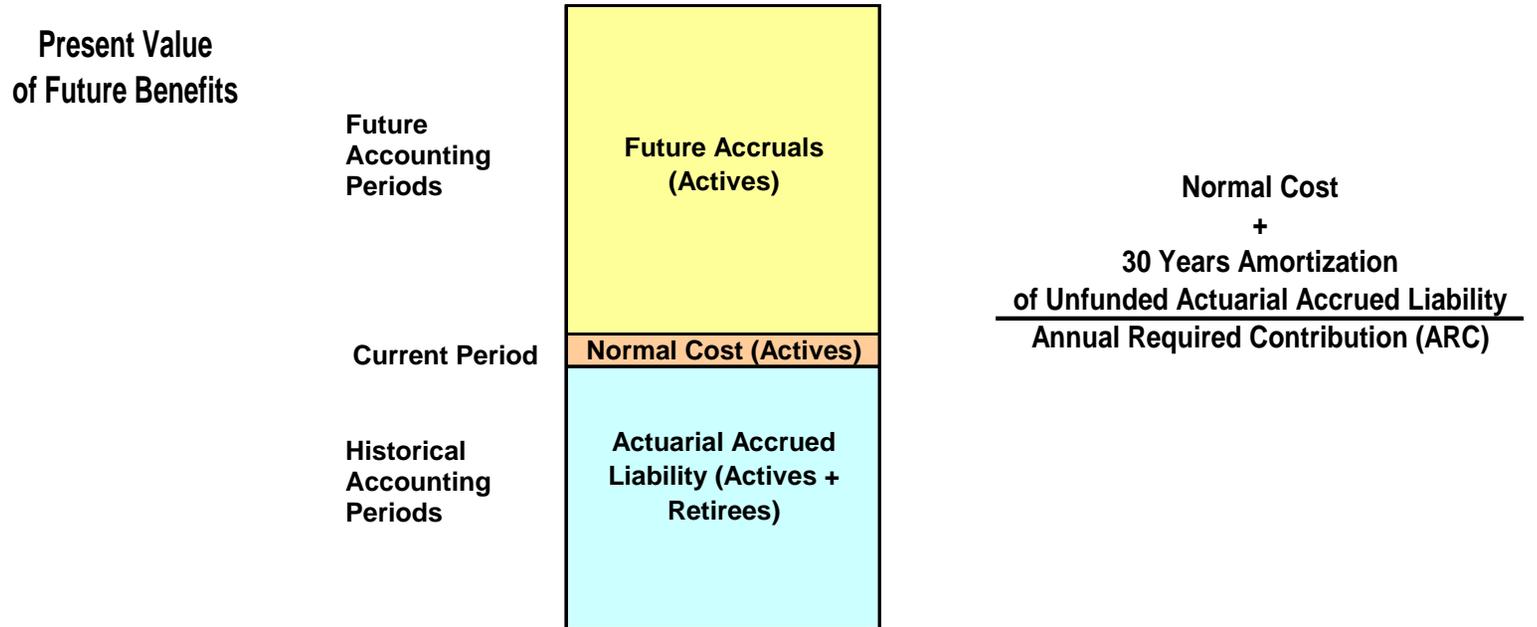
**SECTION 1: Introduction for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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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 the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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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, 2012 Measurement Under GASB 43 and 45**

*The key valuation results for the current and prior years are shown on a funded basis and a pay-as-you-go basis.*

**SUMMARY OF VALUATION RESULTS**

	<b>Funded (7.75% interest rate)</b>	<b>Pay-as-you-go (4.5% interest rate)</b>
<b>Actuarial Accrued Liability – Gross</b>		
1. Current retirees, beneficiaries and dependents	\$760,711,614	\$1,058,805,367
2. Current active employees	<u>566,232,013</u>	<u>1,045,732,096</u>
3. Total as of December 31, 2012: (1) + (2)	\$1,326,943,627	\$2,104,537,463
<b>NHRS Subsidy</b>		
4. Current retirees, beneficiaries and dependents	\$116,435,379	\$150,719,546
5. Current active employees	<u>17,045,715</u>	<u>26,195,384</u>
6. Total as of December 31, 2012: (4) + (5)	\$133,481,094	\$176,914,930
<b>Retiree Contributions</b>		
7. Current retirees, beneficiaries and dependents	\$23,685,760	\$27,779,591
8. Current active employees	<u>29,474,407</u>	<u>43,128,700</u>
9. Total as of December 31, 2012: (7) + (8)	\$53,160,167	\$70,908,291
<b>Actuarial Accrued Liability – Net</b>		
10. Current retirees, beneficiaries and dependents: (1) – (4) – (7)	\$620,590,475	\$880,306,229
11. Current active employees: (2) – (5) – (8)	<u>519,711,891</u>	<u>976,408,013</u>
12. Total as of December 31, 2012: (10) + (11)	\$1,140,302,366	\$1,856,714,242
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2013</b>		
13. Normal cost as of December 31, 2012	\$31,175,631	\$63,760,421
14. Amortization of the unfunded actuarial liability (30 years, increasing 3.75% per year)	<u>62,385,874</u>	<u>68,570,737</u>
15. Total Annual Required Contribution (ARC): (13) + (14)	\$93,561,505	\$132,331,158
16. Projected net benefit payments for fiscal year ending June 30, 2013	\$49,918,785	\$49,918,785

**SECTION 2: Valuation Results for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

**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 (1) – (2) – (3)	(5) Normal Cost	(6) Amortization of UAAL	(7) Total Funding Requirement (5) + (6)	(8) Additional Funding (7) – (4)	As of December 31 after Fiscal Year End		
									(9) Assets	(10) AAL	(11) UAAL (10) – (9)
2013	\$68,207,299	\$4,651,280	\$13,637,233	\$49,918,786	\$31,175,631	\$62,385,874	\$93,561,505	\$43,642,719	\$47,025,029	\$1,208,480,050	\$1,161,455,020
2014	72,262,990	4,829,434	13,584,940	53,848,616	32,734,412	64,725,344	97,459,756	43,611,140	97,660,473	1,279,386,699	1,181,726,226
2015	76,495,763	4,924,401	13,479,379	58,091,983	34,371,133	67,152,544	101,523,677	43,431,694	152,026,809	1,352,979,952	1,200,953,143
2016	81,001,944	5,026,531	13,349,008	62,626,405	36,089,689	69,670,764	105,760,453	43,134,048	210,285,824	1,429,242,587	1,218,956,763
2017	85,803,130	5,135,108	13,186,919	67,481,103	37,894,174	72,283,418	110,177,592	42,696,489	272,588,442	1,508,128,971	1,235,540,529
2018	91,784,021	5,278,343	13,013,034	73,492,644	39,788,883	74,994,046	114,782,929	41,290,285	338,204,328	1,588,693,163	1,250,488,836
2019	98,022,614	5,434,490	12,834,657	79,753,467	41,778,327	77,806,323	119,584,650	39,831,183	407,333,263	1,670,898,670	1,263,565,407
2020	103,750,743	5,587,741	12,663,033	85,499,969	43,867,243	80,724,060	124,591,303	39,091,334	481,022,503	1,755,534,054	1,274,511,552
2021	109,776,840	5,753,362	12,474,084	91,549,394	46,060,605	83,751,212	129,811,817	38,262,423	559,529,508	1,842,573,774	1,283,044,266
2022	115,617,992	5,860,533	12,229,921	97,527,538	48,363,635	86,891,882	135,255,517	37,727,979	643,544,942	1,932,399,136	1,288,854,194
2023	121,540,716	5,940,938	11,928,494	103,671,284	50,781,817	90,150,328	140,932,145	37,260,861	733,568,253	2,025,171,669	1,291,603,415
2024	127,834,857	6,153,756	11,587,172	110,093,929	53,320,908	93,530,965	146,851,873	36,757,944	830,026,478	2,120,949,543	1,290,923,065
2025	134,226,600	6,461,443	11,211,783	116,553,374	55,986,953	97,038,376	153,025,329	36,471,955	933,652,062	2,220,062,814	1,286,410,753
2026	140,937,930	6,784,516	10,807,828	123,345,586	58,786,301	100,677,315	159,463,616	36,118,030	1,044,927,274	2,322,555,053	1,277,627,779
2027	147,984,827	7,123,741	10,386,727	130,474,359	61,725,616	104,452,714	166,178,330	35,703,971	1,164,380,166	2,428,476,299	1,264,096,133
2028	155,384,068	7,479,928	9,943,298	137,960,842	64,811,897	108,369,691	173,181,588	35,220,746	1,292,569,983	2,537,865,224	1,245,295,241
2029	163,153,271	7,853,925	9,491,557	145,807,789	68,052,492	112,433,554	180,486,046	34,678,257	1,430,109,979	2,650,768,446	1,220,658,468
2030	171,310,935	8,246,621	9,040,950	154,023,364	71,455,116	116,649,812	188,104,928	34,081,564	1,577,666,388	2,767,235,714	1,189,569,326
2031	179,876,482	8,658,952	8,577,480	162,640,050	75,027,872	121,024,180	196,052,052	33,412,002	1,735,936,965	2,887,294,360	1,151,357,395
2032	188,870,306	9,091,900	8,108,037	171,670,369	78,779,266	125,562,587	204,341,853	32,671,484	1,905,675,604	3,010,969,509	1,105,293,906
2033	198,313,821	9,546,495	7,644,829	181,122,497	82,718,229	130,271,184	212,989,413	31,866,916	2,087,702,065	3,138,289,048	1,050,586,983
2034	208,229,512	10,023,819	7,184,649	191,021,044	86,854,141	135,156,353	222,010,494	30,989,450	2,282,890,107	3,269,266,610	986,376,504
2035	218,640,988	10,525,010	6,729,452	201,386,526	91,196,848	140,224,716	231,421,564	30,035,038	2,492,176,843	3,403,905,394	911,728,551
2036	229,573,037	11,051,261	6,288,932	212,232,844	95,756,690	145,483,143	241,239,833	29,006,989	2,716,575,579	3,542,205,006	825,629,427
2037	241,051,689	11,603,824	5,866,878	223,580,987	100,544,524	150,938,761	251,483,285	27,902,298	2,957,174,913	3,684,154,106	726,979,193
2038	253,104,274	12,184,015	5,455,033	235,465,226	105,571,751	156,598,965	262,170,716	26,705,490	3,215,131,134	3,829,715,830	614,584,696
2039	265,759,487	12,793,216	5,058,779	247,907,492	110,850,338	162,471,426	273,321,764	25,414,272	3,491,687,675	3,978,839,723	487,152,048
2040	279,047,462	13,432,877	4,688,446	260,926,139	116,392,855	168,564,104	284,956,959	24,030,820	3,788,186,679	4,131,465,188	343,278,510
2041	292,999,835	14,104,521	4,337,230	274,558,084	122,212,498	174,885,258	297,097,756	22,539,672	4,106,057,643	4,287,501,371	181,443,455
2042	307,649,826	14,809,747	4,004,442	288,835,637	128,323,123	181,443,455	309,766,578	20,930,941	4,446,830,199	4,446,830,199	-

*Note: The projection of normal cost and actuarial accrued liability are based on a closed group projection. Therefore, the retirement and the retiree medical eligibility changes are reflected for only the affected individuals as of December 31, 2012.*

**SECTION 2: Valuation Results for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

**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 (1) – (2) – (3)	(5) Normal Cost	(6) Amortization of UAAL	(7) ARC (5) + (6)	As of December 31 after Fiscal Year End		
								(8) Assets	(9) AAL	(10) UAAL (9) – (8)
2013	\$68,207,299	\$4,651,280	\$13,637,233	\$49,918,786	\$63,760,421	\$68,570,737	\$132,331,158	\$0	\$1,954,730,892	\$1,954,730,892
2014	72,262,990	4,829,434	13,584,940	53,848,616	66,948,442	72,190,612	139,139,054	-	2,056,383,100	2,056,383,100
2015	76,495,763	4,924,401	13,479,379	58,091,983	70,295,864	75,944,752	146,240,616	-	2,161,673,395	2,161,673,395
2016	81,001,944	5,026,531	13,349,008	62,626,405	73,810,657	79,833,252	153,643,909	-	2,270,636,241	2,270,636,241
2017	85,803,130	5,135,108	13,186,919	67,481,103	77,501,190	83,857,384	161,358,574	-	2,383,285,863	2,383,285,863
2018	91,784,021	5,278,343	13,013,034	73,492,644	81,376,249	88,017,673	169,393,922	-	2,498,772,094	2,498,772,094
2019	98,022,614	5,434,490	12,834,657	79,753,467	85,445,062	92,282,721	177,727,783	-	2,617,164,555	2,617,164,555
2020	103,750,743	5,587,741	12,663,033	85,499,969	89,717,315	96,655,100	186,372,415	-	2,739,344,087	2,739,344,087
2021	109,776,840	5,753,362	12,474,084	91,549,394	94,203,181	101,167,340	195,370,521	-	2,865,387,778	2,865,387,778
2022	115,617,992	5,860,533	12,229,921	97,527,538	98,913,340	105,822,288	204,735,628	-	2,995,778,391	2,995,778,391
2023	121,540,716	5,940,938	11,928,494	103,671,284	103,859,007	110,637,774	214,496,781	-	3,130,784,589	3,130,784,589
2024	127,834,857	6,153,756	11,587,172	110,093,929	109,051,957	115,623,718	224,675,675	-	3,270,581,034	3,270,581,034
2025	134,226,600	6,461,443	11,211,783	116,553,374	114,504,555	120,786,573	235,291,128	-	3,415,616,165	3,415,616,165
2026	140,937,930	6,784,516	10,807,828	123,345,586	120,229,783	126,142,898	246,372,681	-	3,566,062,878	3,566,062,878
2027	147,984,827	7,123,741	10,386,727	130,474,359	126,241,272	131,699,080	257,940,352	-	3,722,112,132	3,722,112,132
2028	155,384,068	7,479,928	9,943,298	137,960,842	132,553,335	137,462,170	270,015,505	-	3,883,956,333	3,883,956,333
2029	163,153,271	7,853,925	9,491,557	145,807,789	139,181,002	143,439,276	282,620,278	-	4,051,809,376	4,051,809,376
2030	171,310,935	8,246,621	9,040,950	154,023,364	146,140,052	149,638,294	295,778,346	-	4,225,902,737	4,225,902,737
2031	179,876,482	8,658,952	8,577,480	162,640,050	153,447,055	156,067,776	309,514,831	-	4,406,461,681	4,406,461,681
2032	188,870,306	9,091,900	8,108,037	171,670,369	161,119,408	162,736,039	323,855,447	-	4,593,726,702	4,593,726,702
2033	198,313,821	9,546,495	7,644,829	181,122,497	169,175,378	169,651,967	338,827,345	-	4,787,959,664	4,787,959,664
2034	208,229,512	10,023,819	7,184,649	191,021,044	177,634,147	176,825,228	354,459,375	-	4,989,428,542	4,989,428,542
2035	218,640,988	10,525,010	6,729,452	201,386,526	186,515,854	184,265,721	370,781,575	-	5,198,412,974	5,198,412,974
2036	229,573,037	11,051,261	6,288,932	212,232,844	195,841,647	191,983,773	387,825,420	-	5,415,212,757	5,415,212,757
2037	241,051,689	11,603,824	5,866,878	223,580,987	205,633,729	199,990,455	405,624,184	-	5,640,142,447	5,640,142,447
2038	253,104,274	12,184,015	5,455,033	235,465,226	215,915,416	208,297,385	424,212,801	-	5,873,519,306	5,873,519,306
2039	265,759,487	12,793,216	5,058,779	247,907,492	226,711,187	216,916,279	443,627,466	-	6,115,677,536	6,115,677,536
2040	279,047,462	13,432,877	4,688,446	260,926,139	238,046,746	225,859,479	463,906,225	-	6,366,974,059	6,366,974,059
2041	292,999,835	14,104,521	4,337,230	274,558,084	249,949,083	235,140,168	485,089,251	-	6,627,771,486	6,627,771,486
2042	307,649,826	14,809,747	4,004,442	288,835,637	262,446,538	244,771,738	507,218,276	-	6,898,444,594	6,898,444,594

*Note: The projection of normal cost and actuarial accrued liability are based on a closed group projection. Therefore, the retirement and the retiree medical eligibility changes are reflected for only the affected individuals as of December 31, 2012*

**SECTION 2: Valuation Results for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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September 27, 2013

**ACTUARIAL CERTIFICATION**

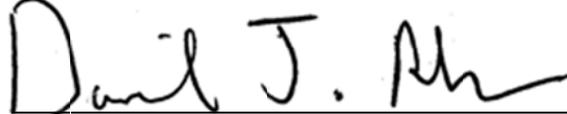
This is to certify that Segal Consulting, a Member of The Segal Group, Inc. has conducted an actuarial valuation of certain benefit obligations of the State of New Hampshire's other postemployment benefit programs as of December 31, 2012, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements 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 reliance on participant, claims and expense data provided by the State or from vendors employed by the State. Segal Consulting does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, does review the data for reasonableness and consistency.

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 of the plan, or determining short-term cash flow requirements.

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 Opinions" to render the actuarial opinion contained herein. Further, in our opinion, the assumptions as approved by the State are reasonably related to the experience and expectations of the postemployment benefit programs.

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

  
Daniel J. Rhodes, ASA, FCA, MAAA  
Vice President and Consulting Actuary

**SECTION 3: Valuation Details for the State of New Hampshire December 31, 2012 Measurement  
Under GASB 43 and 45**

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**CHART 1**

**Required Supplementary Information – Schedule of Employer Contributions**

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<b>Plan Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
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	54,418,000	33.57%
2012	171,911,651	50,997,000	29.66%
2013	137,811,620	51,332,000	37.25%

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**SECTION 3: Valuation Details for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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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.

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**CHART 2**  
**Required Supplementary Information – Schedule of Funding Progress**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]</b>
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%	597,800,000	377.69%
12/31/2012	0	1,856,714,242	1,856,714,242	0%	518,663,650	357.98%

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**SECTION 3: Valuation Details for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

**CHART 3**

**Required Supplementary Information – Net OPEB Obligation/(Asset) (NOO/NOA)**

<b>Fiscal Year Ended June 30</b>	<b>Annual Required Contribution (a)</b>	<b>Interest on Existing NOO (b)</b>	<b>ARC Adjustment (c)</b>	<b>Annual OPEB Cost (a) + (b) + (c) (d)</b>	<b>Actual Contribution Amount (e)</b>	<b>Net Increase in NOO (d) - (e) (f)</b>	<b>NOO as of Following Date (g)</b>
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	54,418,000	107,701,767	558,304,154
2012	165,398,102	25,123,687	(18,610,138)	171,911,651	50,997,000	120,914,651	679,218,805
2013	132,331,158	30,564,846	(25,084,384)	137,811,620	51,332,000	86,479,620	765,698,425

**SECTION 3: Valuation Details for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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**CHART 4**

**Summary of Required Supplementary Information**

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<b>Valuation date</b>	December 31, 2012
<b>Actuarial cost method</b>	Projected Unit Credit
<b>Amortization method</b>	Level percent of pay, open
<b>Remaining amortization period</b>	30 years
<b>Asset valuation method</b>	Market value
<b>Actuarial assumptions:</b>	
Investment rate of return	4.5%, pay-as-you-go scenario
Inflation rate	3.75%
Projected salary increases	3.75%
Medical cost trend rate under age 65	6.00% decreasing at 0.25% for 4 years to an ultimate level of 5.00%
Medical cost trend rate age 65 and over	5.00%
Drug cost trend rate	6.00% decreasing at 0.25% for 4 years to an ultimate level of 5.00%
<b>Plan membership:</b>	
Current retirees, beneficiaries, and dependents*	11,259
Current active participants	<u>10,584</u>
Total	21,843

\* Includes 72 retirees eligible for retiree medical benefits in the future.

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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*This exhibit summarizes the participant data used for the current and prior valuations.*

**EXHIBIT I  
Summary of Participant Data**

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	January 1, 2013	January 1, 2011
<b>Active employees covered for medical benefits</b>		
Number of employees		
Male	4,855	5,968
Female	<u>5,729</u>	<u>5,546</u>
Total	10,584	11,514
Average age	48.4	47.8
Average service	12.2	11.5
Average age at hire	36.2	36.3
<b>Retired employees, spouses and beneficiaries covered for medical benefits</b>		
Number of individuals	11,259*	10,636
Average age	70.1	69.5

*\* Includes 72 retirees eligible for retiree medical benefits in the future.*

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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**EXHIBIT II**

**Actuarial Assumptions and Actuarial Cost Method**

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**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

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**Per Capita Cost Development:**

*Medical*

Per capita claims costs were based on actual retiree paid claim experience furnished by Anthem for the period July 1, 2011, through June 30, 2013. Claims were separated by year and plan (under-65 vs. 65-and-over), adjusted for plan changes during the experience period, 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.

*Prescription Drug*

Per capita costs were based on actual retiree paid claim experience furnished by LGC/CVS Caremark for the period July 1, 2011, through June 30, 2013. Claims were separated by year, adjusted for plan changes and changes in financial terms during the experience period, and then adjusted as described above to yield a combined weighted average per capita claims cost.

*Administrative Expenses*

Administrative expenses were based on vendor contractual rates and fees as well as a pro-rated share of other Fund 60 expenses.

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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**Measurement Date:** December 31, 2012

**Discount Rate:** 7.75% funding and 4.5% pay-as-you-go

**Postretirement Mortality Rates:**

*Healthy* RP-2000 Healthy Annuitant Mortality Table projected to 2020, with a margin of 15% for men and 17% for women

*Disabled* 80% of the PBGC Disabled Mortality Tables

These mortality tables were determined to contain provision appropriate to reasonably reflect future mortality improvement.

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**Termination Rates before Retirement:**

Age	Group I - Rate per year (%)			
	Mortality*		Disability**	
	Male	Female	Male	Female
20	0.00	0.01	0.02	0.00
25	0.04	0.02	0.02	0.01
30	0.04	0.02	0.02	0.02
35	0.05	0.03	0.03	0.02
40	0.08	0.04	0.08	0.05
45	0.12	0.06	0.15	0.09
50	0.18	0.08	0.25	0.19
55	0.25	0.13	0.43	0.35
60	0.35	0.20	1.16	0.58

\* 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.

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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**Termination Rates before Retirement (cont):**

Age	Group II Police - Rate per year (%)			
	Mortality*		Disability	
	Male	Female	Ordinary	Accidental
20	0.02	0.00	0.04	0.02
25	0.02	0.01	0.04	0.02
30	0.03	0.02	0.04	0.02
35	0.05	0.03	0.08	0.05
40	0.07	0.04	0.18	0.12
45	0.09	0.06	0.32	0.21
50	0.11	0.09	0.50	0.34
55	0.19	0.17	0.75	0.50
60	0.37	0.34	0.00	0.00

\* 50% are assumed to be ordinary death and 50% are assumed to be accidental death.

Age	Group II Fire - Rate per year (%)			
	Mortality*		Disability	
	Male	Female	Ordinary	Accidental
20	0.02	0.00	0.04	0.02
25	0.02	0.00	0.04	0.02
30	0.02	0.02	0.05	0.02
35	0.04	0.02	0.06	0.02
40	0.04	0.02	0.11	0.08
45	0.06	0.04	0.23	0.08
50	0.08	0.12	0.54	0.33
55	0.12	0.12	1.21	0.33
60	0.24	0.22	3.00	0.33

\* 50% are assumed to be ordinary death and 50% are assumed to be accidental death.

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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**Withdrawal Rates:**

Age	Years of Service	Rate per year (%)				
		Group I		Group II - Police		Group II - Fire
		Male	Female	Male	Female	
	0	30.00	30.00	30.00	40.00	8.00
	1	22.00	22.00	15.00	17.00	6.00
	2	16.00	16.00	9.00	14.00	4.50
	3	12.00	12.00	6.00	11.00	3.00
	4	8.00	8.00	4.00	9.00	2.00
25	5+	5.00	8.00	4.00	4.00	1.50
30		5.00	8.00	4.00	4.00	1.50
35		5.00	5.60	4.00	4.00	1.50
40		5.00	5.60	4.00	4.00	1.50
45		5.00	5.60	4.00	4.00	1.50
50		5.00	4.40	4.00	4.00	1.50
55		5.00	4.00	4.00	4.00	1.50
60		5.00	4.00	4.00	4.00	1.50

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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**Retirement Rates:**

Ages	Rate per year (%)					
	Group I - Hired prior to July 1, 2011					
	Normal	Male Early	Early Rule X	Normal	Female Early	Early Rule X
45	--	--	1.0	--	--	1.0
46	--	--	1.0	--	--	1.0
47	--	--	1.0	--	--	1.5
48	--	--	1.0	--	--	1.5
49	--	--	1.0	--	--	1.0
50	--	1.0	1.5	--	1.0	2.0
51	--	1.0	3.0	--	1.0	2.5
52	--	1.0	3.0	--	1.0	2.0
53	--	1.0	4.0	--	1.0	3.5
54	--	1.0	4.5	--	1.5	5.5
55	--	2.0	8.0	--	2.5	10.0
56	--	2.5	10.0	--	3.5	6.0
57	--	2.5	11.0	--	3.0	13.0
58	--	3.5	11.0	--	4.0	15.0
59	--	5.0	18.0	--	5.5	15.0
60	12.0	--	--	12.0	--	--
61	12.0	--	--	12.0	--	--
62	17.0	--	--	15.0	--	--
63	16.0	--	--	15.0	--	--
64	15.0	--	--	15.0	--	--
65	15.0	--	--	20.0	--	--
66	25.0	--	--	20.0	--	--
67	20.0	--	--	20.0	--	--
68	20.0	--	--	16.0	--	--
69	20.0	--	--	17.0	--	--
70	100.0	--	--	100.0	--	--

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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**Retirement Rates (cont.):**

**Group I - Hired on or after July 1, 2011**

Ages	Male		Female	
	Normal	Early	Normal	Early
60	--	12.0	--	12.0
61	--	12.0	--	12.0
62	--	17.0	--	15.0
63	--	16.0	--	15.0
64	--	15.0	--	15.0
65	46.0	--	45.0	--
66	46.0	--	45.0	--
67	20.0	--	20.0	--
68	20.0	--	16.0	--
69	20.0	--	17.0	--
70	100.0	--	100.0	--

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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**Retirement Rates (cont.):**

**Group II - Hired prior to July 1, 2011 and vested as of January 1, 2012**

<b>Ages</b>	<b>Police</b>	<b>Fire</b>
45	25.0	15.0
46	25.0	12.0
47	25.0	12.0
48	25.0	12.0
49	25.0	12.0
50	25.0	15.0
51	25.0	15.0
52	25.0	15.0
53	30.0	25.0
54	30.0	20.0
55	30.0	30.0
56	25.0	30.0
57	25.0	25.0
58	30.0	25.0
59	25.0	25.0
60	25.0	25.0
61	20.0	40.0
62	20.0	30.0
63	25.0	30.0
64	25.0	30.0
65	100.0	100.0

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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**Retirement Rates (cont.):**

**Group II - Hired on or after July 1, 2011 or  
Hired prior to July 1, 2011 and not vested as of January 1, 2012**

Ages	Police				
	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	--	--	--	--	--
46	28.0	--	--	--	--
47	28.0	35.0	--	--	--
48	28.0	35.0	35.0	--	--
49	28.0	30.0	35.0	40.0	--
50	28.0	30.0	35.0	40.0	50.0
51	28.0	30.0	35.0	40.0	50.0
52	28.0	30.0	35.0	40.0	50.0
53	30.0	30.0	35.0	35.0	35.0
54	30.0	30.0	35.0	35.0	35.0
55	30.0	30.0	30.0	35.0	35.0
56	25.0	25.0	25.0	25.0	25.0
57	25.0	25.0	25.0	25.0	25.0
58	30.0	30.0	30.0	30.0	30.0
59	25.0	25.0	25.0	25.0	25.0
60	25.0	25.0	25.0	25.0	25.0
61	20.0	20.0	20.0	20.0	20.0
62	20.0	20.0	20.0	20.0	20.0
63	25.0	25.0	25.0	25.0	25.0
64	25.0	25.0	25.0	25.0	25.0
65	25.0	25.0	25.0	25.0	25.0
66	100.0	100.0	100.0	100.0	100.0

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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**Retirement Rates (cont.):**

**Group II - Hired on or after July 1, 2011 or  
Hired prior to July 1, 2011 and not vested as of January 1, 2012**

Ages	Firefighters				
	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	--	--	--	--	--
46	15.0	--	--	--	--
47	15.0	17.0	--	--	--
48	15.0	17.0	21.0	--	--
49	15.0	17.0	21.0	25.0	--
50	15.0	18.0	21.0	25.0	32.0
51	15.0	18.0	21.0	25.0	32.0
52	15.0	18.0	21.0	25.0	32.0
53	25.0	25.0	25.0	25.0	25.0
54	20.0	20.0	20.0	20.0	20.0
55	30.0	30.0	30.0	30.0	30.0
56	30.0	30.0	30.0	30.0	30.0
57	25.0	25.0	25.0	25.0	25.0
58	25.0	25.0	25.0	25.0	25.0
59	25.0	25.0	25.0	25.0	25.0
60	25.0	25.0	25.0	25.0	25.0
61	40.0	40.0	40.0	40.0	40.0
62	30.0	30.0	30.0	30.0	30.0
63	30.0	30.0	30.0	30.0	30.0
64	30.0	30.0	30.0	30.0	30.0
65	100.0	100.0	100.0	100.0	100.0

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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**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.

**Per Capita Health Costs:** 2013 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 such items as deductibles, copays and coinsurance amounts.

Age	Medical				Prescription Drug			
	Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female
45	\$4,673	\$5,863	\$2,897	\$4,375	\$1,138	\$1,429	\$706	\$1,066
50	5,546	6,317	3,874	5,073	1,352	1,540	944	1,237
55	6,587	6,801	5,184	5,872	1,606	1,658	1,264	1,431
60	7,823	7,330	6,940	6,810	1,907	1,787	1,692	1,660
64	8,975	7,776	8,761	7,665	2,188	1,896	2,136	1,868
65	1,693	1,439	1,693	1,439	2,265	1,925	2,265	1,925
70	1,962	1,551	1,962	1,551	2,625	2,074	2,625	2,074
75	2,114	1,669	2,114	1,669	2,829	2,233	2,829	2,233

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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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.

<b>Year Ending December 31</b>	<b>Pre-65 Medical</b>	<b>Post-65 Medical</b>	<b>Prescription Drug</b>
2013	6.00%	5.00%	6.00%
2014	5.75%	5.00%	5.75%
2015	5.50%	5.00%	5.50%
2016	5.25%	5.00%	5.25%
2017 & later	5.00%	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 \$261 per non-Medicare-eligible retiree and \$242 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.

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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**Health Care Reform Assumption:** This valuation does not include the potential impact of any future changes due to the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 other than the excise tax on high cost health plans beginning in 2018 (reflected with this valuation) and those previously adopted as of the valuation date. The addition of the excise tax in this valuation resulted in a 1.4% increase in the actuarial accrued liability and a 2.8% increase in the normal cost.

**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.

The demographic assumptions were changed as a result of the NHRS Experience Study for the period July 1, 2005 – June 30, 2010 completed by Gabriel Roeder Smith & Company.

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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**EXHIBIT III**

**Summary of Plan**

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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.

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**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 on or 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 on or 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 on or after July 1, 2010 and before July 1, 2011, with at least 20 years of State creditable service, are eligible at retirement.
- Retirees whose service began after July 1, 2011 with at least 20 years of State creditable service, are eligible at age 52.5.
- 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.

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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- Vested Deferred Retirees whose service began after July 1, 2011 with at least 20 years of State creditable service are eligible when 25 years of service would have been completed and they are at least age 50.
- 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 eligible for ordinary death retirement benefits and, for Group I, if the employee had 10 years of State creditable service and was hired before July 1, 2003 or 20 years of State creditable service if hired on or after July 1, 2003 and for Group II, if the employee had 10 years of State creditable service and was hired before July 1, 2010 or 20 years of State creditable service if hired on or after July 1, 2010.

**Accidental Death:** Surviving spouse and minor children are eligible.

**Post-Retirement Death:** Surviving spouse is eligible.

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**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.

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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The monthly working rates for retiree medical coverage, effective January 1, 2013, are as follows:

	<u>Individual</u>	<u>2-person</u>	<u>Family</u>
Retiree Under Age 65	\$873.96	\$1,747.92	\$2,365.26
Retiree Age 65 and Older	\$323.91	N/A	N/A

**Duration of Coverage:**

Lifetime.

**Dependent Benefits:**

Medical and Prescription Drugs.

**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 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 4 retirees whose subsidy amount is equal to 100% of the premium.

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

**Benefit Descriptions:**

<b>Medical for Retirees Under Age 65 (effective January 1, 2012)</b>	<b>In-Network</b>	<b>Out-Of-Network</b>
<i>Annual Deductible</i>	\$500 individual / \$1,000 family	\$650 individual / \$1,300 family
<i>Coinsurance</i>	100%	80%
<i>Physician's 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
<b>Medical for Retirees Age 65 and Older (effective January 1, 2012)</b>		
<i>Annual Deductible</i>	Medicare Part B deductible	
<i>Coinsurance</i>	100% after deductible (if applicable)	
<b>Prescription Drug (effective January 1, 2012)</b>		
<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:** None.

**SECTION 5: Appendix to the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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

Actuarial Accrued Liability (AAL) and Annual Required Contribution	GROUP I			
	General Government			
	All Other	Safety	DOT General	DOT Highway
<b>Actuarial Accrued Liability – Gross</b>				
1. Current retirees, beneficiaries and dependents	\$514,225,228	\$35,432,829	\$3,348,551	\$167,232,121
2. Current active employees	<u>548,309,467</u>	<u>51,482,086</u>	<u>1,329,607</u>	<u>140,600,473</u>
3. Total as of December 31, 2012: (1) + (2)	\$1,062,534,695	\$86,914,915	\$4,678,158	\$307,832,594
<b>NHRS Subsidy</b>				
4. Current retirees, beneficiaries and dependents	\$51,366,028	\$2,590,983	\$603,834	\$25,265,565
5. Current active employees	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
6. Total as of December 31, 2012: (4) + (5)	\$51,366,028	\$2,590,983	\$603,834	\$25,265,565
<b>Retiree Contributions</b>				
7. Current retirees, beneficiaries and dependents	\$9,612,713	\$836,883	\$23,272	\$4,138,499
8. Current active employees	<u>16,876,627</u>	<u>1,726,271</u>	<u>58,171</u>	<u>6,618,558</u>
9. Total as of December 31, 2012: (7) + (8)	\$26,489,340	\$2,563,154	\$81,443	\$10,757,057
<b>Actuarial Accrued Liability – Net</b>				
10. Current retirees, beneficiaries and dependents: (1) – (4) – (7)	\$453,246,485	\$32,004,962	\$2,721,445	\$137,828,058
11. Current active employees: (2) – (5) – (8)	<u>531,432,842</u>	<u>49,755,816</u>	<u>1,271,436</u>	<u>133,981,914</u>
12. Total as of December 31, 2012: (10) + (11)	\$984,679,327	\$81,760,778	\$3,992,881	\$271,809,972
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2013</b>				
13. Normal cost as of December 31, 2012	\$32,678,660	\$3,477,917	\$76,049	\$7,549,381
14. Amortization of the unfunded actuarial liability (30 years, increasing 3.75% per year)	<u>36,365,416</u>	<u>3,019,526</u>	<u>147,462</u>	<u>10,038,276</u>
15. Total Annual Required Contribution (ARC): (13) + (14)	\$69,044,076	\$6,497,443	\$223,511	\$17,587,657
16. Projected net benefit payments for fiscal year ending June 30, 2013	\$28,253,289	\$1,899,506	\$181,783	\$7,758,423

**SECTION 5: Appendix to the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

Actuarial Accrued Liability (AAL) and Annual Required Contribution	Group I (continued)					
	Business Type Activities				Component Units	
	Liquor Group I	Lottery	Racing & Gaming	Turnpike	CCSNH	Retirement System
<b>Actuarial Accrued Liability – Gross</b>						
1. Current retirees, beneficiaries and dependents	\$37,727,654	\$6,024,637	\$2,596,586	\$19,329,186	\$53,713,525	\$3,896,625
2. Current active employees	<u>20,147,254</u>	<u>4,232,918</u>	<u>1,342,137</u>	<u>16,932,249</u>	<u>48,668,017</u>	<u>4,090,567</u>
3. Total as of December 31, 2012: (1) + (2)	\$57,874,908	\$10,257,555	\$3,938,723	\$36,261,435	\$102,381,542	\$7,987,192
<b>NHRS Subsidy</b>						
4. Current retirees, beneficiaries and dependents	\$5,275,145	\$383,327	\$136,628	\$2,534,642	\$5,001,472	\$290,222
5. Current active employees	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
6. Total as of December 31, 2012: (4) + (5)	\$5,275,145	\$383,327	\$136,628	\$2,534,642	\$5,001,472	\$290,222
<b>Retiree Contributions</b>						
7. Current retirees, beneficiaries and dependents	\$1,052,450	\$113,511	\$51,032	\$351,596	\$804,571	\$61,248
8. Current active employees	<u>746,920</u>	<u>139,185</u>	<u>37,580</u>	<u>565,349</u>	<u>1,321,441</u>	<u>125,385</u>
9. Total as of December 31, 2012: (7) + (8)	\$1,799,370	\$252,696	\$88,612	\$916,945	\$2,126,012	\$186,633
<b>Actuarial Accrued Liability – Net</b>						
10. Current retirees, beneficiaries and dependents: (1) – (4) – (7)	\$31,400,058	\$5,527,799	\$2,408,926	\$16,442,948	\$47,907,482	\$3,545,155
11. Current active employees: (2) – (5) – (8)	<u>19,400,335</u>	<u>4,093,733</u>	<u>1,304,557</u>	<u>16,366,900</u>	<u>47,346,576</u>	<u>3,965,182</u>
12. Total as of December 31, 2012: (10) + (11)	\$50,800,393	\$9,621,532	\$3,713,483	\$32,809,848	\$95,254,058	\$7,510,337
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2013</b>						
13. Normal cost as of December 31, 2012	\$1,227,761	\$224,087	\$67,932	\$998,228	\$3,288,625	\$269,870
14. Amortization of the unfunded actuarial liability (30 years, increasing 3.75% per year)	<u>1,876,121</u>	<u>355,335</u>	<u>137,143</u>	<u>1,211,708</u>	<u>3,517,849</u>	<u>277,366</u>
15. Total Annual Required Contribution (ARC): (13) + (14)	\$3,103,882	\$579,422	\$205,075	\$2,209,936	\$6,806,474	\$547,236
16. Projected net benefit payments for fiscal year ending June 30, 2013	\$1,811,887	\$329,245	\$165,064	\$1,093,408	\$3,002,753	\$206,911

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Actuarial Accrued Liability (AAL) and Annual Required Contribution	GROUP II						
	Safety-Fire	Safety-Police	Fish & Game	Police Standards and Training	Liquor Group II	All Other – Fire	All Other - Police
<b>Actuarial Accrued Liability – Gross</b>							
1. Current retirees, beneficiaries and dependents	\$3,526,797	\$87,233,215	\$11,247,554	\$1,933,847	\$5,419,747	\$6,939,208	\$98,978,057
2. Current active employees	<u>3,559,285</u>	<u>58,545,588</u>	<u>9,108,677</u>	<u>1,050,176</u>	<u>2,495,770</u>	<u>7,368,448</u>	<u>126,469,377</u>
3. Total as of December 31, 2012: (1) + (2)	\$7,086,082	\$145,778,803	\$20,356,231	\$2,984,023	\$7,915,517	\$14,307,656	\$225,447,434
<b>NHRS Subsidy</b>							
4. Current retirees, beneficiaries and dependents	\$780,881	\$27,217,073	\$3,710,181	\$549,652	\$1,856,662	\$1,140,682	\$22,016,569
5. Current active employees	<u>387,972</u>	<u>6,380,233</u>	<u>1,369,581</u>	<u>56,605</u>	<u>274,732</u>	<u>1,267,342</u>	<u>16,458,919</u>
6. Total as of December 31, 2012: (4) + (5)	\$1,168,853	\$33,597,306	\$5,079,762	\$606,257	\$2,131,394	\$2,408,024	\$38,475,488
<b>Retiree Contributions</b>							
7. Current retirees, beneficiaries and dependents	\$141,454	\$4,377,792	\$468,438	\$76,319	\$245,936	\$393,287	\$5,030,590
8. Current active employees	<u>208,654</u>	<u>4,431,345</u>	<u>737,701</u>	<u>71,206</u>	<u>184,078</u>	<u>556,110</u>	<u>8,724,119</u>
9. Total as of December 31, 2012: (7) + (8)	\$350,108	\$8,809,137	\$1,206,139	\$147,525	\$430,014	\$949,397	\$13,754,709
<b>Actuarial Accrued Liability – Net</b>							
10. Current retirees, beneficiaries and dependents: (1) – (4) – (7)	\$2,604,462	\$55,638,351	\$7,068,934	\$1,307,877	\$3,317,150	\$5,405,239	\$71,930,898
11. Current active employees: (2) – (5) – (8)	<u>2,962,659</u>	<u>47,734,009</u>	<u>7,001,396</u>	<u>922,364</u>	<u>2,036,959</u>	<u>5,544,996</u>	<u>101,286,339</u>
12. Total as of December 31, 2012: (10) + (11)	\$5,567,121	\$103,372,360	\$14,070,330	\$2,230,241	\$5,354,109	\$10,950,235	\$173,217,237
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2013</b>							
13. Normal cost as of December 31, 2012	\$264,696	\$4,253,630	\$574,508	\$93,127	\$223,176	\$494,716	\$7,998,058
14. Amortization of the unfunded actuarial liability (30 years, increasing 3.75% per year)	<u>205,601</u>	<u>3,817,668</u>	<u>519,635</u>	<u>82,366</u>	<u>197,734</u>	<u>404,406</u>	<u>6,397,125</u>
15. Total Annual Required Contribution (ARC): (13) + (14)	\$470,297	\$8,071,298	\$1,094,143	\$175,493	\$420,910	\$899,122	\$14,395,183
16. Projected net benefit payments for fiscal year ending June 30, 2013	\$128,191	\$1,774,752	\$275,721	\$57,112	\$112,194	\$214,223	\$2,654,323

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Actuarial Accrued Liability (AAL) and Annual Required Contribution	TOTALS		
	Group I Total	Group II Total	Grand Total
<b>Actuarial Accrued Liability – Gross</b>			
1. Current retirees, beneficiaries and dependents	\$843,526,942	\$215,278,425	\$1,058,805,367
2. Current active employees	<u>837,134,775</u>	<u>208,597,321</u>	<u>1,045,732,096</u>
3. Total as of December 31, 2012: (1) + (2)	\$1,680,661,717	\$423,875,746	\$2,104,537,463
<b>NHRS Subsidy</b>			
4. Current retirees, beneficiaries and dependents	\$93,447,846	\$57,271,700	\$150,719,546
5. Current active employees	<u>0</u>	<u>26,195,384</u>	<u>26,195,384</u>
6. Total as of December 31, 2012: (4) + (5)	\$93,447,846	\$83,467,084	\$176,914,930
<b>Retiree Contributions</b>			
7. Current retirees, beneficiaries and dependents	\$17,045,775	\$10,733,816	\$27,779,591
8. Current active employees	<u>28,215,487</u>	<u>14,913,213</u>	<u>43,128,700</u>
9. Total as of December 31, 2012: (7) + (8)	\$45,261,262	\$25,647,029	\$70,908,291
<b>Actuarial Accrued Liability – Net</b>			
10. Current retirees, beneficiaries and dependents: (1) – (4) – (7)	\$733,033,318	\$147,272,911	\$880,306,229
11. Current active employees: (2) – (5) – (8)	<u>808,919,291</u>	<u>167,488,722</u>	<u>976,408,013</u>
12. Total as of December 31, 2012: (10) + (11)	\$1,541,952,609	\$314,761,633	\$1,856,714,242
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2013</b>			
13. Normal cost as of December 31, 2012	\$49,858,510	\$13,901,911	\$63,760,421
14. Amortization of the unfunded actuarial liability (30 years, increasing 3.75% per year)	<u>56,946,202</u>	<u>11,624,535</u>	<u>68,570,737</u>
15. Total Annual Required Contribution (ARC): (13) + (14)	\$106,804,712	\$25,526,446	\$132,331,158
16. Projected net benefit payments for fiscal year ending June 30, 2013	\$44,702,269	\$5,216,516	\$49,918,785

**SECTION 5: Appendix to the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

**SUMMARY OF PARTICIPANT DATA BY DEPARTMENT**

GROUP I	General Government				
	All Other	Safety	DOT General and Highway		
<b>Active employees covered for medical benefits</b>					
Number of employees	6,182	655	1,332		
Average age	49.5	46.9	47.1		
Average service	12.6	11.0	13.7		
Average age at hire	36.9	35.9	33.4		
<b>Retired employees, spouses and beneficiaries covered for medical benefits</b>					
Number of individuals	6,034	384	1,877		
Average age	71.3	69.5	70.8		
	Business Activities			Component Units	
	Liquor Group I	Lottery and Racing & Gaming	Turnpike	CCSNH	Retirement System
<b>Active employees covered for medical benefits</b>					
Number of employees	267	57	187	747	60
Average age	47.5	50.4	52.6	50.9	48.3
Average service	10.7	13.9	12.3	9.4	10.0
Average age at hire	36.8	36.5	40.3	41.5	38.3
<b>Retired employees, spouses and beneficiaries covered for medical benefits</b>					
Number of individuals	407	103	242	638	43
Average age	71.0	72.3	72.8	71.3	69.3

**SECTION 5: Appendix to the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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**GROUP II**

	<b>Safety-Fire</b>	<b>Safety-Police</b>	<b>Fish &amp; Game</b>	<b>Liquor Group II</b>	<b>All Other – Fire</b>	<b>Police Standards &amp; Training and All Other – Police</b>
<b>Active employees covered for medical benefits</b>						
Number of employees	21	312	43	18	43	660
Average age	45.7	39.2	38.0	39.1	40.1	44.7
Average service	11.3	10.4	12.1	8.1	11.1	11.6
Average age at hire	34.3	28.8	26.0	31.1	28.9	33.1
<b>Retired employees, spouses and beneficiaries covered for medical benefits</b>						
Number of individuals	26	619	93	43	46	704
Average age	62.1	62.9	66.3	65.4	62.1	62.4

*Note: Because of the small number of participants in the DOT General, Racing & Charitable Gaming, and Police Standards & Training groups, we have combined their demographic information with DOT Highway, Lottery, and All Other – Police, respectively.*

**SECTION 5: Appendix to the State of New Hampshire December 31, 2012 Measurement Under GASB 43 and 45**

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<b>TOTALS</b>	<b>Group I Total</b>	<b>Group II Total</b>	<b>Grand Total</b>
<b>Active employees covered for medical benefits</b>			
Number of employees	9,487	1,097	10,584
Average age	49.1	42.6	48.4
Average service	12.4	11.2	12.2
Average age at hire	36.7	31.4	36.2
<b>Retired employees, spouses and beneficiaries covered for medical benefits</b>			
Number of individuals	9,728	1,531	11,259
Average age	71.2	62.9	70.1