

**State of New Hampshire**

*Actuarial Valuation and Review of Other Postemployment  
Benefits (OPEB) as of December 31, 2006  
In accordance with GASB Statements Number 43 and 45*

***FINAL***

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THE SEGAL COMPANY  
116 Huntington Ave., 8th Floor Boston, MA 02116  
T 617.424.7300 F 617.424.7390 www.segalco.com

*July 11, 2008*

*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 revised report on our actuarial valuation of postemployment welfare benefits as of December 31, 2006 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.*

*The report has been revised to reflect claims experience through June 30, 2007, the change in the prescription drug vendor as of July 1, 2007 and the change to the Anthem network as of January 1, 2008.*

*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*

6066867v10/05855.026

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

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## SECTION 1: Introduction for State of New Hampshire December 31, 2006 Measurement under GASB

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### PURPOSE

This report presents the results of our actuarial valuation of the State of New Hampshire postemployment welfare benefit program as of December 31, 2006. The results are in accordance with the Governmental Accounting Standards (as if they were effective January 1, 2007), which prescribe an accrual methodology for accumulating the value of postemployment welfare benefits 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).

Actuarial computations under GASB are for purposes of fulfilling certain accounting requirements. The calculations reported 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. In particular, this valuation does not reflect the changes to the New Hampshire Retirement System medical subsidy enacted in House Bill 1645, signed into law on June 30, 2008.

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 legal requirement that the State 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.

**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 government entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements.

The statements include 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) is required. This information includes historical information about the UAAL and the progress in funding the Plan.

**HIGHLIGHTS OF THE VALUATION**

The results of the valuation show a significant increase in expense for OPEB compared to the current accounting method.

The GASB statements provide the method for selecting the investment return assumption (discount rate). If the benefits are pre-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. A pre-funded discount rate is used when the State's funding policy is to contribute consistently an amount at least equal to the ARC. 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. For the purpose of this valuation, we have used 8.5% and 4.5%, respectively, for pre-funded and pay-as-you-go.

Because pay-as-you-go accounting assumes a lower interest rate discount to the liabilities, the liabilities appear larger and the expense allocated to the current fiscal year is higher. The lower expense shown for the pre-funded approach is based on the assumption of a higher rate of investment return, which ultimately means more benefits are provided by investment earnings and fewer benefits are provided by State contributions.

The GASB statements allow the use of one of six funding methods to determine the actuarial liabilities. For this report, we are calculating the ARC under two methods - the entry age normal cost method and the projected unit credit cost method (which is the cost method required under Financial Accounting Standards Board Statement No. 106).

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).

The GASB statements permit either level dollar or level percentage of payroll amortization. We have calculated amortization payments that increase at 4.5% per year.

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.

We have calculated liabilities separately for employees and retirees identified as Group I, Group II Police Officers, and Group II Firefighters. In addition, Group I liabilities were further separated by Community Colleges, Lottery Commission, Liquor Commission, Turnpike Commission, and other employees. Because the retiree data did not contain codes to identify commissions, the retiree liability for these subgroups was allocated based on the active data.

During the fiscal year ending June 30, 2008, we project the State of New Hampshire will pay claims and expenses (net of the New Hampshire Retirement System subsidy) on behalf of all retired employees of about \$49.6 million. Under current accounting rules, this is the State's "cost" of those benefit programs for retirees. Under the new accounting rules, the annual "cost" is projected to increase significantly, depending on the funding method and discount rate. On page 5, we show the calculation of four alternative ARCs which range from \$125.2 million (pre-funded) to \$214.8 million (pay-as-you-go).

## **SECTION 2: Valuation Results for the State of New Hampshire December 31, 2006 Measurement under GASB**

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GASB requires that governments with total annual revenues of \$100 million or more comply with GASB 43 for fiscal years beginning after December 15, 2005. Governments with total annual revenues of more than \$10 million but less than \$100 million comply with GASB 43 for fiscal years beginning after December 15, 2006. Governments with total annual revenues of less than \$10 million comply with GASB 43 for fiscal years beginning after December 15, 2007. The effective dates for GASB 45 are one year later.

**SECTION 2: Valuation Results for the State of New Hampshire December 31, 2006 Measurement under GASB**

**SUMMARY OF VALUATION RESULTS**

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

	Prefunded (8.5% interest rate)		Pay-as-you-go (4.5% interest rate)	
	Projected Unit Credit	Entry Age Normal	Projected Unit Credit	Entry Age Normal
<b>Actuarial Accrued Liability - Gross</b>				
1. Current retirees, beneficiaries and dependents	\$704,565,511	\$704,565,511	\$1,064,520,813	\$1,064,520,813
2. Current active employees	<u>731,762,479</u>	<u>753,727,650</u>	<u>1,618,733,855</u>	<u>1,574,615,846</u>
3. Total as of January 1, 2007: (1) + (2)	\$1,436,327,990	\$1,458,293,161	\$2,683,254,668	\$2,639,136,659
<b>NHRS Subsidy</b>				
4. Current retirees, beneficiaries and dependents	\$84,809,983	\$84,809,983	\$98,670,909	\$98,670,909
5. Current active employees	<u>18,213,638</u>	<u>20,368,127</u>	<u>25,106,339</u>	<u>28,313,642</u>
6. Total as of January 1, 2007: (4) + (5)	\$103,023,621	\$105,178,110	\$123,777,248	\$126,984,551
<b>Actuarial Accrued Liability – Net</b>				
7. Current retirees, beneficiaries and dependents	\$619,755,528	\$619,755,528	\$965,849,904	\$965,849,904
8. Current active employees	<u>713,548,841</u>	<u>733,359,523</u>	<u>1,593,627,516</u>	<u>1,546,302,204</u>
9. Total as of January 1, 2007: (7) + (8)	\$1,333,304,369	\$1,353,115,051	\$2,559,477,420	\$2,512,152,108
10. Total as of July 1, 2007	\$1,387,372,474	\$1,409,218,986	\$2,649,590,782	\$2,605,658,263
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2008</b>				
11. Normal cost as of January 1, 2007	\$43,479,893	\$45,805,173	\$111,558,602	\$120,256,836
12. Normal cost as of July 1, 2007	44,553,633	46,936,337	114,313,550	123,226,587
13. Adjustment for timing	<u>1,854,916</u>	<u>1,954,117</u>	<u>2,543,753</u>	<u>2,742,089</u>
14. Normal cost including adjustment for timing: (12) + (13)	\$46,408,549	\$48,890,454	\$116,857,303	\$125,968,676
15. Amortization of the unfunded actuarial liability (30 years, increasing 4.5% per year)	\$75,666,100	\$76,857,592	\$88,319,693	\$86,855,275
16. Adjustment for timing	<u>3,150,231</u>	<u>3,199,838</u>	<u>1,965,326</u>	<u>1,932,740</u>
17. Amortization payment including adjustment for timing: (15) + (16)	\$78,816,331	\$80,057,430	\$90,285,019	\$88,788,015
18. Total Annual Required Contribution (ARC): (14) + (17)	\$125,224,880	\$128,947,884	\$207,142,322	\$214,756,691

*Note: Adjustment for timing assumes payment in the middle of the fiscal year.*

**SECTION 2: Valuation Results for the State of New Hampshire December 31, 2006 Measurement under GASB**

**GROUP RESULTS**

**Actuarial Accrued Liability (AAL) and Annual Required Contribution – Projected Unit Credit, Pre-Funded**

	Group I					Total Group I
	Community Colleges	Liquor Commission	Lottery Commission	Turnpike Commission	Other Employees	
<b>Actuarial Accrued Liability - Gross</b>						
1. Current retirees, beneficiaries and dependents	\$40,000,170	\$18,910,385	\$3,004,252	\$13,523,482	\$515,463,633	\$590,901,922
2. Current active employees	<u>42,894,060</u>	<u>17,248,537</u>	<u>3,221,600</u>	<u>14,501,865</u>	<u>552,755,850</u>	<u>630,621,912</u>
3. Total as of January 1, 2007: (1) + (2)	\$82,894,230	\$36,158,922	\$6,225,852	\$28,025,347	\$1,068,219,483	\$1,221,523,834
<b>NHRS Subsidy</b>						
4. Current retirees, beneficiaries and dependents	\$3,417,313	\$2,596,362	\$256,661	\$1,155,344	\$44,037,327	\$51,463,007
5. Current active employees	<u>0</u>	<u>166,644</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>166,644</u>
6. Total as of January 1, 2007: (4) + (5)	\$3,417,313	\$2,763,006	\$256,661	\$1,155,344	\$44,037,327	\$51,629,651
<b>Actuarial Accrued Liability – Net</b>						
7. Current retirees, beneficiaries and dependents	\$36,582,857	\$16,314,023	\$2,747,591	\$12,368,138	\$471,426,306	\$539,438,915
8. Current active employees	<u>42,894,060</u>	<u>17,081,893</u>	<u>3,221,600</u>	<u>14,501,865</u>	<u>552,755,850</u>	<u>630,455,268</u>
9. Total as of January 1, 2007: (7) + (8)	\$79,476,917	\$33,395,916	\$5,969,191	\$26,870,003	\$1,024,182,156	\$1,169,894,183
10. Total as of July 1, 2007	\$82,566,129	\$34,516,332	\$6,243,057	\$27,959,199	\$1,065,034,224	\$1,216,318,941
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2008</b>						
11. Normal cost as of January 1, 2007	\$2,952,189	\$1,067,743	\$112,188	\$720,463	\$32,339,961	\$37,192,544
12. Normal cost as of July 1, 2007	3,025,094	1,094,111	114,958	738,255	33,138,599	38,111,017
13. Adjustment for timing	<u>125,945</u>	<u>45,551</u>	<u>4,786</u>	<u>30,736</u>	<u>1,379,670</u>	<u>1,586,688</u>
14. Normal cost including adjustment for timing: (12) + (13)	\$3,151,039	\$1,139,662	\$119,744	\$768,991	\$34,518,269	\$39,697,705
15. Amortization of the unfunded actuarial liability (30 years, increasing 4.5% per year)	\$4,503,086	\$1,882,491	\$340,491	\$1,524,871	\$58,086,049	\$66,336,988
16. Adjustment for timing	<u>187,478</u>	<u>78,374</u>	<u>14,176</u>	<u>63,485</u>	<u>2,418,316</u>	<u>2,761,829</u>
17. Amortization payment including adjustment for timing: (15) + (16)	\$4,690,564	\$1,960,865	\$354,667	\$1,588,356	\$60,504,365	\$69,098,817
18. Total Annual Required Contribution (ARC): (14) + (17)	\$7,841,603	\$3,100,527	\$474,411	\$2,357,347	\$95,022,634	\$108,796,522

Notes: Retiree liabilities for Group I subdivisions allocated based on active liabilities.  
Adjustment for timing assumes payment in the middle of the year.

**SECTION 2: Valuation Results for the State of New Hampshire December 31, 2006 Measurement under GASB**

**Actuarial Accrued Liability (AAL) and Annual Required Contribution – Projected Unit Credit, Pre-Funded (Continued)**

	Group II		Grand Total
	Firefighters	Police Officers	
<b>Actuarial Accrued Liability - Gross</b>			
1. Current retirees, beneficiaries and dependents	\$2,115,047	\$111,548,542	\$704,565,511
2. Current active employees	<u>5,008,017</u>	<u>96,132,550</u>	<u>731,762,479</u>
3. Total as of January 1, 2007: (1) + (2)	\$7,123,064	\$207,681,092	\$1,436,327,990
<b>NHRS Subsidy</b>			
4. Current retirees, beneficiaries and dependents	\$603,431	\$32,743,545	\$84,809,983
5. Current active employees	<u>1,279,887</u>	<u>16,767,107</u>	<u>18,213,638</u>
6. Total as of January 1, 2007: (4) + (5)	\$1,883,318	\$49,510,652	\$103,023,621
<b>Actuarial Accrued Liability – Net</b>			
7. Current retirees, beneficiaries and dependents	\$1,511,616	\$78,804,997	\$619,755,528
8. Current active employees	<u>3,728,130</u>	<u>79,365,443</u>	<u>713,548,841</u>
9. Total as of January 1, 2007: (7) + (8)	\$5,239,746	\$158,170,440	\$1,333,304,369
10. Total as of July 1, 2007	\$5,551,794	\$165,501,739	\$1,387,372,474
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2008</b>			
11. Normal cost as of January 1, 2007	\$289,407	\$5,997,942	\$43,479,893
12. Normal cost as of July 1, 2007	296,554	6,146,062	44,553,633
13. Adjustment for timing	<u>12,347</u>	<u>255,881</u>	<u>1,854,916</u>
14. Normal cost including adjustment for timing: (12) + (13)	\$308,901	\$6,401,943	\$46,408,549
15. Amortization of the unfunded actuarial liability (30 years, increasing 4.5% per year)	\$302,790	\$9,026,322	\$75,666,100
16. Adjustment for timing	<u>12,606</u>	<u>375,796</u>	<u>3,150,231</u>
17. Amortization payment including adjustment for timing: (15) + (16)	\$315,396	\$9,402,118	\$78,816,331
18. Total Annual Required Contribution (ARC): (14) + (17)	\$624,297	\$15,804,061	\$125,224,880

*Notes: Retiree liabilities for Group I subdivisions allocated based on active liabilities.  
Adjustment for timing assumes payment in the middle of the year.*

**SECTION 2: Valuation Results for the State of New Hampshire December 31, 2006 Measurement under GASB**

<b>Actuarial Accrued Liability (AAL) and Annual Required Contribution – Entry Age Normal, Pre-Funded</b>						
	<b>Group I</b>					<b>Total Group I</b>
	<b>Community Colleges</b>	<b>Liquor Commission</b>	<b>Lottery Commission</b>	<b>Turnpike Commission</b>	<b>Other Employees</b>	
<b>Actuarial Accrued Liability - Gross</b>						
1. Current retirees, beneficiaries and dependents	\$39,196,047	\$19,240,180	\$2,949,440	\$13,704,498	\$515,811,756	\$590,901,922
2. Current active employees	<u>42,887,203</u>	<u>18,100,611</u>	<u>3,227,194</u>	<u>14,995,073</u>	<u>564,386,595</u>	<u>643,596,676</u>
3. Total as of January 1, 2007: (1) + (2)	\$82,083,250	\$37,340,791	\$6,176,634	\$28,699,571	\$1,080,198,351	\$1,234,498,598
<b>NHRS Subsidy</b>						
4. Current retirees, beneficiaries and dependents	\$3,348,615	\$2,624,537	\$251,978	\$1,170,809	\$44,067,068	\$51,463,007
5. Current active employees	<u>0</u>	<u>204,102</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>204,102</u>
6. Total as of January 1, 2007: (4) + (5)	\$3,348,615	\$2,828,639	\$251,978	\$1,170,809	\$44,067,068	\$51,667,109
<b>Actuarial Accrued Liability – Net</b>						
7. Current retirees, beneficiaries and dependents	\$35,847,432	\$16,615,643	\$2,697,462	\$12,533,689	\$471,744,688	\$539,438,915
8. Current active employees	<u>42,887,203</u>	<u>17,896,509</u>	<u>3,227,194</u>	<u>14,995,073</u>	<u>564,386,595</u>	<u>643,392,574</u>
9. Total as of January 1, 2007: (7) + (8)	\$78,734,635	\$34,512,152	\$5,924,656	\$27,528,762	\$1,036,131,283	\$1,182,831,489
10. Total as of July 1, 2007	\$81,911,510	\$35,763,265	\$6,198,240	\$28,639,690	\$1,078,032,983	\$1,230,545,688
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2008</b>						
11. Normal cost as of January 1, 2007	\$3,179,845	\$1,229,459	\$115,206	\$709,529	\$33,400,122	\$38,634,161
12. Normal cost as of July 1, 2007	3,258,372	1,259,821	118,051	727,051	34,224,941	39,588,236
13. Adjustment for timing	<u>135,657</u>	<u>52,451</u>	<u>4,915</u>	<u>30,270</u>	<u>1,424,898</u>	<u>1,648,191</u>
14. Normal cost including adjustment for timing: (12) + (13)	\$3,394,029	\$1,312,272	\$122,966	\$757,321	\$35,649,839	\$41,236,427
15. Amortization of the unfunded actuarial liability (30 years, increasing 4.5% per year)	\$4,467,384	\$1,950,498	\$338,047	\$1,561,984	\$58,794,991	\$67,112,904
16. Adjustment for timing	<u>185,992</u>	<u>81,206</u>	<u>14,074</u>	<u>65,031</u>	<u>2,447,831</u>	<u>2,794,134</u>
17. Amortization payment including adjustment for timing: (15) + (16)	\$4,653,376	\$2,031,704	\$352,121	\$1,627,015	\$61,242,822	\$69,907,038
18. Total Annual Required Contribution (ARC): (14) + (17)	\$8,047,405	\$3,343,976	\$475,087	\$2,384,336	\$96,892,661	\$111,143,465

*Notes: Retiree liabilities for Group I subdivisions allocated based on active liabilities.  
Adjustment for timing assumes payment in the middle of the year.*

**SECTION 2: Valuation Results for the State of New Hampshire December 31, 2006 Measurement under GASB**

**Actuarial Accrued Liability (AAL) and Annual Required Contribution – Entry Age Normal, Pre-Funded (Continued)**

	Group II		Grand Total
	Firefighters	Police Officers	
<b>Actuarial Accrued Liability - Gross</b>			
1. Current retirees, beneficiaries and dependents	\$2,115,047	\$111,548,542	\$704,565,511
2. Current active employees	<u>5,284,770</u>	<u>104,846,204</u>	<u>753,727,650</u>
3. Total as of January 1, 2007: (1) + (2)	\$7,399,817	\$216,394,746	\$1,458,293,161
<b>NHRS Subsidy</b>			
4. Current retirees, beneficiaries and dependents	\$603,431	\$32,743,545	\$84,809,983
5. Current active employees	<u>1,519,541</u>	<u>18,644,484</u>	<u>20,368,127</u>
6. Total as of January 1, 2007: (4) + (5)	\$2,122,972	\$51,388,029	\$105,178,110
<b>Actuarial Accrued Liability – Net</b>			
7. Current retirees, beneficiaries and dependents	\$1,511,616	\$78,804,997	\$619,755,528
8. Current active employees	<u>3,765,229</u>	<u>86,201,720</u>	<u>733,359,523</u>
9. Total as of January 1, 2007: (7) + (8)	\$5,276,845	\$165,006,717	\$1,353,115,051
10. Total as of July 1, 2007	\$5,621,811	\$173,051,487	\$1,409,218,986
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2008</b>			
11. Normal cost as of January 1, 2007	\$349,645	\$6,821,367	\$45,805,173
12. Normal cost as of July 1, 2007	358,280	6,989,821	46,936,337
13. Adjustment for timing	<u>14,916</u>	<u>291,010</u>	<u>1,954,117</u>
14. Normal cost including adjustment for timing: (12) + (13)	\$373,196	\$7,280,831	\$48,890,454
15. Amortization of the unfunded actuarial liability (30 years, increasing 4.5% per year)	\$306,609	\$9,438,079	\$76,857,592
16. Adjustment for timing	<u>12,765</u>	<u>392,939</u>	<u>3,199,838</u>
17. Amortization payment including adjustment for timing: (15) + (16)	\$319,374	\$9,831,018	\$80,057,430
18. Total Annual Required Contribution (ARC): (14) + (17)	\$692,570	\$17,111,849	\$128,947,884

*Notes: Retiree liabilities for Group I subdivisions allocated based on active liabilities.  
Adjustment for timing assumes payment in the middle of the year.*

**SECTION 2: Valuation Results for the State of New Hampshire December 31, 2006 Measurement under GASB**

**Actuarial Accrued Liability (AAL) and Annual Required Contribution – Projected Unit Credit, Pay-As-You-Go**

	Group I					Total Group I
	Community Colleges	Liquor Commission	Lottery Commission	Turnpike Commission	Other Employees	
<b>Actuarial Accrued Liability - Gross</b>						
1. Current retirees, beneficiaries and dependents	\$56,030,392	\$29,099,612	\$4,621,886	\$20,856,241	\$769,813,621	\$880,421,752
2. Current active employees	<u>88,522,832</u>	<u>38,688,418</u>	<u>7,302,152</u>	<u>32,950,930</u>	<u>1,216,234,254</u>	<u>1,383,698,586</u>
3. Total as of January 1, 2007: (1) + (2)	\$144,553,224	\$67,788,030	\$11,924,038	\$53,807,171	\$1,986,047,875	\$2,264,120,338
<b>NHRS Subsidy</b>						
4. Current retirees, beneficiaries and dependents	\$3,522,332	\$3,087,584	\$290,553	\$1,311,121	\$48,394,082	\$56,605,672
5. Current active employees	<u>0</u>	<u>236,557</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>236,557</u>
6. Total as of January 1, 2007: (4) + (5)	\$3,522,332	\$3,324,141	\$290,553	\$1,311,121	\$48,394,082	\$56,842,229
<b>Actuarial Accrued Liability – Net</b>						
7. Current retirees, beneficiaries and dependents	\$52,508,060	\$26,012,028	\$4,331,333	\$19,545,120	\$721,419,540	\$823,816,080
8. Current active employees	<u>88,522,832</u>	<u>38,451,861</u>	<u>7,302,152</u>	<u>32,950,930</u>	<u>1,216,234,254</u>	<u>1,383,462,029</u>
9. Total as of January 1, 2007: (7) + (8)	\$141,030,892	\$64,463,889	\$11,633,485	\$52,496,050	\$1,937,653,794	\$2,207,278,109
10. Total as of July 1, 2007	\$146,003,103	\$66,497,884	\$12,007,642	\$54,214,941	\$2,004,151,646	\$2,282,875,216
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2008</b>						
11. Normal cost as of January 1, 2007	\$6,993,840	\$2,773,998	\$289,666	\$1,861,897	\$81,853,507	\$93,772,908
12. Normal cost as of July 1, 2007	7,166,553	2,842,502	296,819	1,907,877	83,874,886	96,088,637
13. Adjustment for timing	<u>159,473</u>	<u>63,253</u>	<u>6,605</u>	<u>42,455</u>	<u>1,866,419</u>	<u>2,138,205</u>
14. Normal cost including adjustment for timing: (12) + (13)	\$7,326,026	\$2,905,755	\$303,424	\$1,950,332	\$85,741,305	\$98,226,842
15. Amortization of the unfunded actuarial liability (30 years, increasing 4.5% per year)	\$4,866,770	\$2,216,596	\$400,255	\$1,807,165	\$66,805,055	\$76,095,841
16. Adjustment for timing	<u>108,297</u>	<u>49,324</u>	<u>8,907</u>	<u>40,214</u>	<u>1,486,574</u>	<u>1,693,316</u>
17. Amortization payment including adjustment for timing: (15) + (16)	\$4,975,067	\$2,265,920	\$409,162	\$1,847,379	\$68,291,629	\$77,789,157
18. Total Annual Required Contribution (ARC): (14) + (17)	\$12,301,093	\$5,171,675	\$712,586	\$3,797,711	\$154,032,934	\$176,015,999

*Notes: Retiree liabilities for Group I subdivisions allocated based on active liabilities.  
Adjustment for timing assumes payment in the middle of the year.*

**SECTION 2: Valuation Results for the State of New Hampshire December 31, 2006 Measurement under GASB**

**Actuarial Accrued Liability (AAL) and Annual Required Contribution – Projected Unit Credit, Pay-As-You-Go (Continued)**

	Group II		Grand Total
	Firefighters	Police Officers	
<b>Actuarial Accrued Liability - Gross</b>			
1. Current retirees, beneficiaries and dependents	\$3,295,037	\$180,804,024	\$1,064,520,813
2. Current active employees	<u>11,343,343</u>	<u>223,691,926</u>	<u>1,618,733,855</u>
3. Total as of January 1, 2007: (1) + (2)	\$14,638,380	\$404,495,950	\$2,683,254,668
<b>NHRS Subsidy</b>			
4. Current retirees, beneficiaries and dependents	\$789,357	\$41,275,880	\$98,670,909
5. Current active employees	<u>1,903,529</u>	<u>22,966,253</u>	<u>25,106,339</u>
6. Total as of January 1, 2007: (4) + (5)	\$2,692,886	\$64,242,133	\$123,777,248
<b>Actuarial Accrued Liability – Net</b>			
7. Current retirees, beneficiaries and dependents	\$2,505,680	\$139,528,144	\$965,849,904
8. Current active employees	<u>9,439,814</u>	<u>200,725,673</u>	<u>1,593,627,516</u>
9. Total as of January 1, 2007: (7) + (8)	\$11,945,494	\$340,253,817	\$2,559,477,420
10. Total as of July 1, 2007	\$12,575,375	\$354,140,191	\$2,649,590,782
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2008</b>			
11. Normal cost as of January 1, 2007	\$822,423	\$16,963,271	\$111,558,602
12. Normal cost as of July 1, 2007	842,733	17,382,180	114,313,550
13. Adjustment for timing	<u>18,753</u>	<u>386,795</u>	<u>2,543,753</u>
14. Normal cost including adjustment for timing: (12) + (13)	\$861,486	\$17,768,975	\$116,857,303
15. Amortization of the unfunded actuarial liability (30 years, increasing 4.5% per year)	\$419,179	\$11,804,673	\$88,319,693
16. Adjustment for timing	<u>9,328</u>	<u>262,682</u>	<u>1,965,326</u>
17. Amortization payment including adjustment for timing: (15) + (16)	\$428,507	\$12,067,355	\$90,285,019
18. Total Annual Required Contribution (ARC): (14) + (17)	\$1,289,993	\$29,836,330	\$207,142,322

*Notes: Retiree liabilities for Group I subdivisions allocated based on active liabilities.  
Adjustment for timing assumes payment in the middle of the year.*

**SECTION 2: Valuation Results for the State of New Hampshire December 31, 2006 Measurement under GASB**

**Actuarial Accrued Liability (AAL) and Annual Required Contribution – Entry Age Normal, Pay-As-You-Go**

	Group I					Total Group I
	Community Colleges	Liquor Commission	Lottery Commission	Turnpike Commission	Other Employees	
<b>Actuarial Accrued Liability - Gross</b>						
1. Current retirees, beneficiaries and dependents	\$54,607,638	\$29,624,061	\$4,576,089	\$21,186,984	\$770,426,980	\$880,421,752
2. Current active employees	<u>83,305,535</u>	<u>38,352,347</u>	<u>6,980,957</u>	<u>32,321,359</u>	<u>1,175,308,705</u>	<u>1,336,268,903</u>
3. Total as of January 1, 2007: (1) + (2)	\$137,913,173	\$67,976,408	\$11,557,046	\$53,508,343	\$1,945,735,685	\$2,216,690,655
<b>NHRS Subsidy</b>						
4. Current retirees, beneficiaries and dependents	\$3,432,891	\$3,120,553	\$287,674	\$1,331,913	\$48,432,640	\$56,605,672
5. Current active employees	<u>0</u>	<u>292,160</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>292,160</u>
6. Total as of January 1, 2007: (4) + (5)	\$3,432,891	\$3,412,713	\$287,674	\$1,331,913	\$48,432,640	\$56,897,832
<b>Actuarial Accrued Liability – Net</b>						
7. Current retirees, beneficiaries and dependents	\$51,174,746	\$26,503,508	\$4,288,415	\$19,855,071	\$721,994,340	\$823,816,080
8. Current active employees	<u>83,305,535</u>	<u>38,060,187</u>	<u>6,980,957</u>	<u>32,321,359</u>	<u>1,175,308,705</u>	<u>1,335,976,743</u>
9. Total as of January 1, 2007: (7) + (8)	\$134,480,281	\$64,563,695	\$11,269,372	\$52,176,430	\$1,897,303,045	\$2,159,792,823
10. Total as of July 1, 2007	\$139,607,343	\$66,775,377	\$11,651,962	\$53,917,483	\$1,965,452,149	\$2,237,404,314
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2008</b>						
11. Normal cost as of January 1, 2007	\$7,581,987	\$3,117,290	\$322,016	\$1,919,172	\$86,840,834	\$99,781,299
12. Normal cost as of July 1, 2007	7,769,225	3,194,271	329,968	1,966,566	88,985,375	102,245,405
13. Adjustment for timing	<u>172,884</u>	<u>71,080</u>	<u>7,343</u>	<u>43,761</u>	<u>1,980,139</u>	<u>2,275,207</u>
14. Normal cost including adjustment for timing: (12) + (13)	\$7,942,109	\$3,265,351	\$337,311	\$2,010,327	\$90,965,514	\$104,520,612
15. Amortization of the unfunded actuarial liability (30 years, increasing 4.5% per year)	\$4,653,578	\$2,225,846	\$388,399	\$1,797,249	\$65,515,072	\$74,580,144
16. Adjustment for timing	<u>103,553</u>	<u>49,530</u>	<u>8,643</u>	<u>39,994</u>	<u>1,457,869</u>	<u>1,659,589</u>
17. Amortization payment including adjustment for timing: (15) + (16)	\$4,757,131	\$2,275,376	\$397,042	\$1,837,243	\$66,972,941	\$76,239,733
18. Total Annual Required Contribution (ARC): (14) + (17)	\$12,699,240	\$5,540,727	\$734,353	\$3,847,570	\$157,938,455	\$180,760,345

*Notes: Retiree liabilities for Group I subdivisions allocated based on active liabilities.  
Adjustment for timing assumes payment in the middle of the year.*

**SECTION 2: Valuation Results for the State of New Hampshire December 31, 2006 Measurement under GASB**

**Actuarial Accrued Liability (AAL) and Annual Required Contribution – Entry Age Normal, Pay-As-You-Go (Continued)**

	Group II		Grand Total
	Firefighters	Police Officers	
<b>Actuarial Accrued Liability - Gross</b>			
1. Current retirees, beneficiaries and dependents	\$3,295,037	\$180,804,024	\$1,064,520,813
2. Current active employees	<u>10,933,548</u>	<u>227,413,395</u>	<u>1,574,615,846</u>
3. Total as of January 1, 2007: (1) + (2)	\$14,228,585	\$408,217,419	\$2,639,136,659
<b>NHRS Subsidy</b>			
4. Current retirees, beneficiaries and dependents	\$789,357	\$41,275,880	\$98,670,909
5. Current active employees	<u>2,278,816</u>	<u>25,742,666</u>	<u>28,313,642</u>
6. Total as of January 1, 2007: (4) + (5)	\$3,068,173	\$67,018,546	\$126,984,551
<b>Actuarial Accrued Liability – Net</b>			
7. Current retirees, beneficiaries and dependents	\$2,505,680	\$139,528,144	\$965,849,904
8. Current active employees	<u>8,654,732</u>	<u>201,670,729</u>	<u>1,546,302,204</u>
9. Total as of January 1, 2007: (7) + (8)	\$11,160,412	\$341,198,873	\$2,512,152,108
10. Total as of July 1, 2007	\$11,839,836	\$356,414,113	\$2,605,658,263
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2008</b>			
11. Normal cost as of January 1, 2007	\$953,531	\$19,522,006	\$120,256,836
12. Normal cost as of July 1, 2007	977,079	20,004,103	123,226,587
13. Adjustment for timing	<u>21,742</u>	<u>445,140</u>	<u>2,742,089</u>
14. Normal cost including adjustment for timing: (12) + (13)	\$998,821	\$20,449,243	\$125,968,676
15. Amortization of the unfunded actuarial liability (30 years, increasing 4.5% per year)	\$394,661	\$11,880,470	\$86,855,275
16. Adjustment for timing	<u>8,782</u>	<u>264,369</u>	<u>1,932,740</u>
17. Amortization payment including adjustment for timing: (15) + (16)	\$403,443	\$12,144,839	\$88,788,015
18. Total Annual Required Contribution (ARC): (14) + (17)	\$1,402,264	\$32,594,082	\$214,756,691

*Notes: Retiree liabilities for Group I subdivisions allocated based on active liabilities.  
Adjustment for timing assumes payment in the middle of the year.*

**SECTION 2: Valuation Results for the State of New Hampshire December 31, 2006 Measurement under GASB**

**FUNDING SCHEDULE 1**

**30 Years (8.5% discount rate, payments increasing at 4.5%)  
Projected Unit Credit cost method**

<b>Fiscal Year Ended June 30</b>	<b>(1) Gross Benefit Payments</b>	<b>(2) Retirement System Subsidy</b>	<b>(3) Projected Benefit Payments</b>	<b>(4) Normal Cost with Interest</b>	<b>(5) Amortization of UAAL</b>	<b>(6) Total Funding Requirement (4) + (5)</b>	<b>(7) Additional Funding (6) – (3)</b>	<b>(8) Assets at End of Year</b>	<b>(9) AAL at End of Year</b>	<b>(10) UAAL at End of Year (9) – (8)</b>
2008	\$65,311,349	\$15,684,223	\$49,627,126	\$46,408,549	\$78,816,331	\$125,224,880	\$75,597,754	\$78,745,140	\$1,493,930,807	\$1,415,185,666
2009	71,624,454	16,471,162	55,153,292	48,471,015	81,899,181	130,370,196	75,216,904	163,786,912	1,613,954,443	1,450,167,531
2010	78,760,979	17,349,912	61,411,067	50,894,566	85,584,644	136,479,210	75,068,143	255,902,280	1,740,186,233	1,484,283,953
2011	86,261,053	18,332,013	67,929,041	53,439,295	89,435,953	142,875,248	74,946,207	355,720,441	1,873,009,060	1,517,288,619
2012	93,659,462	12,695,035	80,964,427	56,111,259	93,460,571	149,571,830	68,607,403	457,420,437	2,006,326,943	1,548,906,506
2013	100,920,774	6,889,699	94,031,076	58,916,822	97,666,297	156,583,119	62,552,043	561,457,468	2,140,288,556	1,578,831,088
2014	108,800,347	7,655,575	101,144,772	61,862,663	102,061,280	163,923,943	62,779,172	674,574,230	2,281,295,530	1,606,721,300
2015	117,301,029	8,542,999	108,758,030	64,955,796	106,654,038	171,609,834	62,851,805	797,381,575	2,429,579,784	1,632,198,209
2016	126,065,487	9,445,502	116,619,985	68,203,586	111,453,469	179,657,056	63,037,071	930,820,523	2,585,661,931	1,654,841,408
2017	135,137,961	10,362,117	124,775,845	71,613,766	116,468,875	188,082,641	63,306,797	1,075,882,737	2,750,067,802	1,674,185,065
2018	144,630,623	11,398,556	133,232,068	75,194,454	121,709,975	196,904,429	63,672,361	1,233,656,023	2,923,369,652	1,689,713,629
2019	153,461,410	12,520,659	137,503,172	78,954,177	127,186,924	206,141,100	68,637,928	1,410,012,339	3,110,869,487	1,700,857,148
2020	154,808,630	6,820,842	151,597,247	82,901,885	132,910,335	215,812,221	64,214,974	1,596,751,845	3,303,738,015	1,706,986,170
2021	155,955,451	568,273	155,387,178	87,046,980	138,891,300	225,938,280	70,551,102	1,805,964,131	3,513,370,317	1,707,406,186
2022	163,767,326	610,789	163,156,537	91,399,329	145,141,409	236,540,738	73,384,200	2,035,910,511	3,737,262,094	1,701,351,583
2023	171,630,280	315,916	171,314,364	95,969,295	151,672,772	247,642,067	76,327,703	2,288,468,385	3,976,447,436	1,687,979,052
2024	179,880,082	-	179,880,082	100,767,760	158,498,047	259,265,807	79,385,725	2,565,679,014	4,232,039,437	1,666,360,422
2025	188,874,086	-	188,874,086	105,806,148	165,630,459	271,436,607	82,562,521	2,869,761,604	4,505,236,455	1,635,474,851
2026	198,317,791	-	198,317,791	111,096,455	173,083,830	284,180,285	85,862,494	3,203,128,577	4,797,328,903	1,594,200,327
2027	208,233,680	-	208,233,680	116,651,278	180,872,602	297,523,880	89,290,200	3,568,402,154	5,109,706,577	1,541,304,423
2028	218,645,364	-	218,645,364	122,483,842	189,011,869	311,495,711	92,850,347	3,968,432,354	5,443,866,589	1,475,434,235
2029	229,577,632	-	229,577,632	128,608,034	197,517,403	326,125,437	96,547,805	4,406,316,516	5,801,421,950	1,395,105,434
2030	241,056,514	-	241,056,514	135,038,436	206,405,687	341,444,122	100,387,608	4,885,420,498	6,184,110,851	1,298,690,353
2031	253,109,340	-	253,109,340	141,790,357	215,693,942	357,484,300	104,374,960	5,409,401,678	6,593,806,711	1,184,405,033
2032	265,764,807	-	265,764,807	148,879,875	225,400,170	374,280,045	108,515,238	5,982,233,910	7,032,529,041	1,050,295,130
2033	279,053,047	-	279,053,047	156,323,869	235,543,178	391,867,047	112,814,000	6,608,234,615	7,502,455,206	894,220,591
2034	293,005,700	-	293,005,700	164,140,063	246,142,621	410,282,683	117,276,984	7,292,094,172	8,005,933,156	713,838,983
2035	307,655,984	-	307,655,984	172,347,066	257,219,038	429,566,104	121,910,120	8,038,907,821	8,545,495,194	506,587,373
2036	323,038,784	-	323,038,784	180,964,419	268,793,895	449,758,314	126,719,530	8,854,210,273	9,123,872,892	269,662,618
2037	339,190,723	-	339,190,723	190,012,640	280,889,620	470,902,260	131,711,538	9,744,013,274	9,744,013,274	-

*Notes: Adjustment for interest assumes payment in the middle of the year.*

*Projected retirement system subsidy payments do not reflect adjustments in future years for prior overpayments to the State.*

**SECTION 2: Valuation Results for the State of New Hampshire December 31, 2006 Measurement under GASB**

**FUNDING SCHEDULE 2**

**30 Years (4.5% discount rate, payments increasing at 4.5%)  
Projected Unit Credit cost method**

<b>Fiscal Year Ended June 30</b>	<b>(1) Gross Benefit Payments</b>	<b>(2) Retirement System Subsidy</b>	<b>(3) Projected Benefit Payments</b>	<b>(4) Normal Cost with Interest</b>	<b>(5) Amortization of UAAL</b>	<b>(6) Total Funding Requirement (4) + (5)</b>	<b>(7) Additional Funding (6) - (3)</b>	<b>(8) Assets at End of Year</b>	<b>(9) AAL at End of Year</b>	<b>(10) UAAL at End of Year (9) - (8)</b>
2008	\$65,311,349	\$15,684,223	\$49,627,126	\$116,857,303	\$90,285,019	\$207,142,322	\$157,515,196	\$161,020,290	\$2,829,931,015	\$2,668,910,726
2009	71,624,454	16,471,162	55,153,292	122,246,627	94,079,325	216,325,952	161,172,660	333,025,343	3,025,864,235	2,692,838,891
2010	78,760,979	17,349,912	61,411,067	128,358,958	98,312,895	226,671,853	165,260,786	516,949,721	3,230,465,769	2,713,516,047
2011	86,261,053	18,332,013	67,929,041	134,776,906	102,736,975	237,513,881	169,584,841	713,570,972	3,444,172,120	2,730,601,149
2012	93,659,462	12,695,035	80,964,427	141,515,752	107,360,139	248,875,890	167,911,463	917,329,564	3,661,058,604	2,743,729,039
2013	100,920,774	6,889,699	94,031,076	148,591,539	112,191,345	260,782,884	166,751,809	1,129,071,834	3,881,580,807	2,752,508,973
2014	108,800,347	7,655,575	101,144,772	156,021,116	117,239,956	273,261,072	172,116,300	1,355,826,370	4,112,349,419	2,756,523,049
2015	117,301,029	8,542,999	108,758,030	163,822,172	122,515,754	286,337,925	177,579,896	1,598,370,034	4,353,694,595	2,755,324,561
2016	126,065,487	9,445,502	116,619,985	172,013,280	128,028,962	300,042,243	183,422,258	1,857,800,531	4,606,236,782	2,748,436,250
2017	135,137,961	10,362,117	124,775,845	180,613,944	133,790,266	314,404,210	189,628,366	2,135,249,610	4,870,598,069	2,735,348,459
2018	144,630,623	11,398,556	133,232,068	189,644,642	139,810,828	329,455,469	196,223,402	2,431,925,689	5,147,442,873	2,715,517,184
2019	153,461,410	12,520,659	137,503,172	199,126,874	146,102,315	345,229,189	204,288,437	2,750,196,694	5,438,558,706	2,688,362,013
2020	154,808,630	6,820,842	151,597,247	209,083,217	152,676,919	361,760,137	213,772,348	3,092,484,844	5,745,748,798	2,653,263,954
2021	155,955,451	568,273	155,387,178	219,537,378	159,547,380	379,084,759	223,697,581	3,460,322,053	6,069,885,190	2,609,563,137
2022	163,767,326	610,789	163,156,537	230,514,247	166,727,013	397,241,260	234,084,723	3,855,330,219	6,411,886,606	2,556,556,387
2023	171,630,280	315,916	171,314,364	242,039,960	174,229,728	416,269,688	244,955,324	4,279,226,250	6,772,720,914	2,493,494,664
2024	179,880,082	-	179,880,082	254,141,958	182,070,066	436,212,024	256,331,941	4,733,827,377	7,153,407,736	2,419,580,359
2025	188,874,086	-	188,874,086	266,849,056	190,263,219	457,112,274	268,238,188	5,221,056,745	7,555,021,185	2,333,964,440
2026	198,317,791	-	198,317,791	280,191,508	198,825,064	479,016,572	280,698,781	5,742,949,305	7,978,692,744	2,235,743,439
2027	208,233,680	-	208,233,680	294,201,084	207,772,192	501,973,275	293,739,595	6,301,658,034	8,425,614,303	2,123,956,269
2028	218,645,364	-	218,645,364	308,911,138	217,121,940	526,033,078	307,387,714	6,899,460,479	8,897,041,352	1,997,580,873
2029	229,577,632	-	229,577,632	324,356,695	226,892,428	551,249,122	321,671,490	7,538,765,658	9,394,296,338	1,855,530,680
2030	241,056,514	-	241,056,514	340,574,530	237,102,587	577,677,116	336,620,602	8,222,121,336	9,918,772,205	1,696,650,869
2031	253,109,340	-	253,109,340	357,603,256	247,772,203	605,375,459	352,266,119	8,952,221,687	10,471,936,112	1,519,714,425
2032	265,764,807	-	265,764,807	375,483,419	258,921,952	634,405,371	368,640,564	9,731,915,370	11,055,333,353	1,323,417,983
2033	279,053,047	-	279,053,047	394,257,590	270,573,440	664,831,030	385,777,983	10,564,214,036	11,670,591,476	1,106,377,440
2034	293,005,700	-	293,005,700	413,970,469	282,749,245	696,719,714	403,714,015	11,452,301,294	12,319,424,620	867,123,326
2035	307,655,984	-	307,655,984	434,668,993	295,472,961	730,141,954	422,485,969	12,399,542,155	13,003,638,083	604,095,927
2036	323,038,784	-	323,038,784	456,402,442	308,769,244	765,171,687	442,132,903	13,409,492,980	13,725,133,118	315,640,139
2037	339,190,723	-	339,190,723	479,222,564	322,663,860	801,886,425	462,695,702	14,485,911,962	14,485,911,962	-

*Notes: Adjustment for interest assumes payment in the middle of the year.*

*Projected retirement system subsidy payments do not reflect adjustments in future years for prior overpayments to the State.*

July, 2008

**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, 2006, 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  
Senior Vice President and Actuary



Howard Atkinson, Jr., ASA, MAAA, FCA  
Health Actuary

**SECTION 3: Valuation Details for the State of New Hampshire December 31, 2006 Measurement under GASB**

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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 Required Contributions</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
2008	\$207,142,322	\$--	\$--

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**SECTION 3: Valuation Details for the State of New Hampshire December 31, 2006 Measurement under GASB**

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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%	N/A	N/A

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**SECTION 3: Valuation Details for the State of New Hampshire December 31, 2006 Measurement under GASB**

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**CHART 3**

**Required Supplementary Information – Net OPEB Obligation (NOO)**

<b>Plan 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	--	--	--

**SECTION 3: Valuation Details for the State of New Hampshire December 31, 2006 Measurement under GASB**

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**CHART 4**

**Required Supplementary Information**

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<b>Valuation date</b>	December 31, 2006
<b>Actuarial cost method</b>	Projected Unit Credit
<b>Amortization method</b>	Level percent of pay, closed
<b>Remaining amortization period</b>	30 years as of July 1, 2007
<b>Asset valuation method</b>	Market value

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**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	9.0% graded to 5.0% over 4 years
Prescription drug cost trend rate	10.0% graded to 5.0% over 5 years

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**Plan membership:**

Current retirees, beneficiaries, and dependents	9,501
Current active members	<u>11,649</u>
Total	21,150

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**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2006 Measurement under GASB**

**EXHIBIT I**

**Summary of Participant Data as of January 1, 2007**

	Community Colleges	Liquor Commission	Lottery Commission	Department of Transportation	Other Employees	Total Group 1	Firefighters	Police Officers	Total
<b>Active Employees</b>									
Number									
Male	256	156	9	1,384	2,574	4,379	58	1,006	5,443
Female	<u>433</u>	<u>140</u>	<u>36</u>	<u>263</u>	<u>5,121</u>	<u>5,993</u>	<u>4</u>	<u>209</u>	<u>6,206</u>
Total	689	296	45	1,647	7,695	10,372	62	1,215	11,649
Average age	50.0	46.1	46.3	46.4	47.1	47.2	43.2	33.6	46.5
Average years of service	9.5	10.9	14.2	13.0	10.5	10.9	10.4	7.7	10.7
Average age at hire	40.5	35.2	32.1	33.4	36.6	36.3	32.8	25.9	35.8
<b>Retirees, Beneficiaries, and Dependents</b>									
Number of individuals	0	0	0	0	8,351	8,389	23	1,089	9,501
Average age	0.0	0.0	0.0	0.0	71.0	70.9	64.4	61.2	69.8

Note: Retiree information not available for Group 1 subdivisions.

Turnpike Commission is assumed to represent 12.76% of Department of Transportation and is assumed to have the same characteristics.

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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 and Entry Age Normal

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**Per Capita Cost Development:**

*Medical*

Per capita claims costs were based on actual retiree paid claim experience furnished by CIGNA for the period July 1, 2005, through June 30, 2007. 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.

Pre-Medicare per capita costs were adjusted to reflect the anticipated savings resulting from the January 1, 2008 network change to Anthem.

*Prescription Drug*

Per capita costs were based on actual retiree paid claim experience furnished by CIGNA and LGC/Medco for the period July 1, 2005, through June 30, 2007. Claims were separated by plan year plan (under-65 vs. 65-and-over), then adjusted as described above to yield a combined weighted average per capita claims cost. Claims prior to September 1, 2005, were adjusted to reflect the change from CIGNA to LGC/Medco.

Per capita costs were further adjusted to reflect the anticipated savings resulting from the July 1, 2007 switch from LGC/Medco to LGC/Caremark.

*Administrative Expenses*

Administrative expenses were based on vendor contractual rates and fees.

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2006 Measurement under GASB**

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<b>Measurement Date:</b>	December 31, 2006
<b>Discount Rate:</b>	8.5% prefunding and 4.5% pay-as-you-go
<b>Postretirement Mortality Rates:</b>	
<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.

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<b>Termination Rates before Retirement:</b>	<b>Group 1 - Rate (%)</b>						
		<b>Mortality*</b>		<b>Disability**</b>		<b>Withdrawal***</b>	
	<b>Age</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
	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, 2006 Measurement under GASB**

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**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

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2006 Measurement under GASB**

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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, 80% of Group I employees and 50% of Group II employees were assumed to have an eligible spouse. In both groups, 100% of eligible spouses are assumed to receive postretirement medical benefits.

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2006 Measurement under GASB**

**Per Capita Health Costs:**

2007-2008 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			
	Prior to 1/1/2008 Network Change				After 1/1/2008 Network Change				Retiree		Spouse	
	Retiree		Spouse		Retiree		Spouse		Male	Female	Male	Female
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
45	\$4,467	\$5,604	\$2,771	\$4,183	\$4,318	\$5,417	\$2,678	\$4,043	\$1,323	\$1,660	\$821	\$1,239
50	5,302	6,039	3,703	4,849	5,125	5,837	3,580	4,687	1,571	1,789	1,097	1,437
55	6,297	6,501	4,956	5,613	6,086	6,283	4,790	5,425	1,865	1,926	1,468	1,663
60	7,478	7,007	6,634	6,510	7,228	6,773	6,412	6,292	2,215	2,076	1,965	1,929
65	1,836	1,561	1,836	1,561	1,836	1,561	1,836	1,561	2,719	2,311	2,719	2,311
70	2,128	1,682	2,128	1,682	2,128	1,682	2,128	1,682	3,151	2,491	3,151	2,491
75	2,293	1,810	2,293	1,810	2,293	1,810	2,293	1,810	3,396	2,681	3,396	2,681
80	2,469	1,952	2,469	1,952	2,469	1,952	2,469	1,952	3,657	2,890	3,657	2,890

**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
2007	9%	10%
2008	8%	9%
2009	7%	8%
2010	6%	7%
2011	5%	6%
2012 & later	5%	5%

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2006 Measurement under GASB**

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<b>NHRS Retiree Medical Subsidy:</b>	Based on information received from the New Hampshire Retirement System, the postretirement subsidy is assumed to run out in the following years: Group I 2011 Firefighters 2022 Police Officers 2019
<b>Participation and Coverage Election:</b>	100% of active employees with coverage are assumed to elect retiree coverage.
<b>Plan Design:</b>	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.
<b>Administrative Expenses:</b>	Prior to January 1, 2008, an administrative expense load of \$277 per non-Medicare-eligible retiree and \$163 per Medicare-eligible retiree increasing at 4.0% per year was added to projected incurred claim costs in developing the benefit obligations. After January 1, 2008, the administrative expense load changed to \$127 and \$180, respectively.
<b>Annual Maximum Benefits:</b>	No increase in the annual maximum benefit levels was assumed.
<b>Lifetime Maximum Benefits:</b>	No information was available regarding accumulations toward lifetime maximum benefits and no such accumulations were assumed.
<b>Missing Participant Data:</b>	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.

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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 prior to 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, with at least 20 years of State creditable service, are eligible at age 60;
- Retirees with at least 30 years of State creditable service are eligible at any age; or
- Vested Deferred Retirees and Early Service Retirees who satisfy the above criteria and collect their pensions before age 60, are eligible at age 60.

**Group II:**

- Retirees with at least 20 years of State creditable service are eligible at age 45;
- Retirees are eligible at age 60 with no minimum service required; or
- Vested Deferred Retirees whose service began prior to July 1, 2003, with at least 10 years of State creditable service, are eligible when 20 years of service would have been completed and they are at least age 45.

**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.

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2006 Measurement under GASB**

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**Benefit Types:** Medical coverage is self-funded and was administered by CIGNA HealthCare prior to January 1, 2008 and by Anthem after January 1, 2008. 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/Caremark (effective July 1, 2007).

**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:** There are no retiree premium contributions required for postretirement medical coverage.

**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 subsidy amounts increase 8% each year, per NHRS statutory provisions. The current monthly subsidy amounts, effective July 1, 2006, are as follows:

	<u>One person</u>	<u>Two person</u>
Retiree Under Age 65	\$347.74	\$695.48
Retiree Age 65 and Older	\$219.30	\$438.60

In addition, there is a group of 127 retirees whose subsidy amount is equal to 100% of the premium.

**SECTION 4: Supporting Information for the State of New Hampshire December 31, 2006 Measurement under GASB**

**Benefit Descriptions:**

<b>Medical for Retirees Under Age 65</b>	<b>In-Network</b>	<b>Out-Of-Network</b>
<i>Annual Deductible</i>	None	\$150 individual/\$450 family
<i>Coinsurance</i>	100%	80%
<i>Physicians Office Visit</i>	\$10 copay	Coinsurance & deductible
<i>Emergency Room</i>	\$10 copay	\$10 copay
<i>Hospital</i>	No charge	Coinsurance & deductible
<i>Maximum Out-Of-Pocket Expense</i>	None	\$900 individual/ \$2,700 family

<b>Medical for Retirees Age 65 and Older</b>	
<i>Annual Deductible</i>	None
<i>Coinsurance</i>	100%
<i>Physicians Office Visit</i>	No charge
<i>Emergency Room</i>	No charge
<i>Hospital</i>	No charge
<i>Maximum Out-Of-Pocket Expense</i>	None

<b>Prescription Drug</b>	<b>Under Age 65</b>	<b>Age 65 and Older</b>
<b>Retail</b>		
<i>Annual Deductible</i>	\$50	\$100
<i>Retiree Coinsurance</i>	20%	20%
<i>Annual Coinsurance Maximum</i>	\$500	\$80
<i>Annual Maximum Benefit</i>	\$2,000	None
<b>Mail Order</b>		
<i>Copay for 90-day Supply</i>	\$4	\$4

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