

LBA Financial Audit Report Summary:

New Hampshire Retirement System Comprehensive Annual Financial Report For the Year Ended June 30, 1997

The New Hampshire Retirement System (NHRS) was established in 1967 to consolidate and replace four existing public employee retirement systems: the New Hampshire Teachers' Retirement System, the New Hampshire State Employees' Retirement System, the New Hampshire Policemen's Retirement System and the New Hampshire Permanent Firemen's Retirement System. The NHRS is the administrator of a cost-sharing multiple-employer contributory pension plan and trust that covers substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire. Full-time employees of political subdivisions, including counties, municipalities and school districts are also eligible to participate as a group if the governing body of the political subdivision has elected participation. The NHRS also administers a postretirement medical plan for certain police officer and firefighter members of the pension plan. At June 30, 1997, there were 432 employers participating in the NHRS and 43,861 active members. There were also approximately 13,091 retirees and beneficiaries receiving benefits at June 30, 1997.

We audited the combined statements of plan net assets - pension and postretirement medical plans of the New Hampshire Retirement System as of June 30, 1997, and the related combined statements of changes in plan net assets - pension and postretirement plans for the year then ended, and issued our report thereon dated November 14, 1997.

A management letter, containing five reportable conditions involving the NHRS' internal control structure and three comments related to its compliance with state laws, administrative rules, regulations and contracts was presented under a separate cover.

The financial status and change in status of the plans administered by the NHRS are reported on the NHRS' combined statements of plan net assets - pension and postretirement medical plans and combined statements of changes in plan net assets - pension and postretirement medical plans. At June 30, 1997 the net assets held in trust for pension benefits were \$3,276,157,000 and the net assets held in trust for postretirement medical plan benefits were \$199,332,000. Approximately 85% of the assets of the NHRS were invested in domestic and global equity and fixed income portfolios. Other significant investments of the NHRS included commercial real estate, timberfunds, alternative investments including venture capital funds, and other temporary investments. The net increase for the year ended June 30, 1997 in plan net assets for the pension plan was \$468,528,000 and the net increase in plan net assets for the postretirement medical plan was \$14,660,000. Contributing to the changes in net plan assets was \$492,351,000 and \$18,698 in net investment income in the pension and postretirement medical plans, respectively. Payments to beneficiaries during fiscal year 1997 totaled \$126,512,000 and \$4,013,000 in the pension and postretirement plans, respectively.

The NHRS uses the open-group aggregate funding methodology. This methodology does not identify unfunded actuarial liabilities and therefore no funding ratios are determined by this methodology. The Board of Trustees of the NHRS has, however, chosen to include calculations of the pension benefit obligation (PBO) and accumulated plan benefit information (APB) in the actuarial section of the CAFR. The PBO of the NHRS at June 30, 1997 was \$2,677,032,000 providing a funding level of 109.9%. The pension funding ratio determined by the APB calculation was 122.4%.