

YOUR RETIREMENT AND POLITICS

The NH State Senators and Representatives elected this fall will be voting on changes to your retirement system in the 2007 NH Legislative session. We need to elect representatives who will support us through this challenging period for the NH Retirement System.

OVERVIEW: There are two parts to your retirement benefits:

Part I: PENSION

There are three sources of income to the NH Retirement System:

1. Employee Contributions
2. Employer Contribution (combined with state contribution)
3. Investment Income

Employee Contributions: This contribution amount is set by state statute and can only be changed through the legislature.

Group I members: Teachers and employees contribute 5% to the NH Retirement System.
 Group II members: Police and firefighters contribute 9.3% to the NH Retirement System.

Employer Contributions: This contribution is sent by the Board of Trustees.
 The rates are listed below:

CATEGORY	Rates	Rates Effective
	7/1/05 – 6/30/07	7/1/07
Employees	6.81%	8.74%
Teachers		
District contribution	5.70%	8.93%
State contribution	3.70%	5.8%
	2.00%	3.13%
Firefighters	22.09%	
Municipal Employer contribution	14.36%	24.49%
State contribution	7.73%	15.92%
		8.57%
Police Officers	14.90%	18.21%
Municipal Employer contribution	9.68%	11.84%
State contribution	5.22%	6.37%

A significant change in employer contribution will occur on July 1, 2007 since the NH Retirement System Board of Trustees have established a new assumption rate of 8.5% which leaves a \$56 million shortfall.

Part II: SPECIAL ACCOUNT

The special account funds COLA's and the Health Insurance Subsidy.

This account is funded by excess investments after having paid out the guaranteed pension obligations and administrative fees. For the current year starting July 1, 2006, the assumption rate of return is 9%. Effective July 1, 2007, the NHRS Trustees have changed the assumption rate to 8.5%. A half-percent (0.5%) is added for administrative fees. As of June 30, 2005 no new money can go into the special account until the 31.9% loss is recovered.

Year	+ / -	% from 9.5%	SA make-up%
2000	13.2%	3.7%	
2001	-6.7%	-15.2	-15.2%
2002	-6.4%	-15.2	-31%
2003	2.5%	7.0%	-38%
2004	14.9%	5.4%	-32.6
2005	10.2%	0.7%	-31.9

The chart below outlines the history of cola's granted to retirees:

Year	Employee	Teachers	Fire	Police
2000	4.5%	4.5%	4.5%	4.5%
2001	3.5%	3.5%	3.5%	3.5%
2002	2%	3%	3%	2%
2003	2%	2%	3.5%	2%
2004	1%	1%	2.5%	1%
2005	1%	1%	1.5%	1%
2006	1%	1%	1%	1%

The dilemma which will be addressing is how to make the Special Account solvent in order to continue to provide COLAS and the health insurance subsidy for teachers beyond 2008.

ONGOING ISSUES:

- Federal investigation
- State investigation

- Audit for 2004-2005
- Request for Proposal (RFP) for Actuarial Consulting Services

NH Retirement System Issues RFP for Actuarial Consulting Services

The New Hampshire Retirement System (NHRS, “the System”) has issued a Request for Proposal (RFP) for actuarial consulting services. NHRS is seeking a firm to provide all required services for its \$5 billion trust fund in accordance with federal and state statutes and the actuarial consulting service agreement between NHRS and the Firm. Issuing the RFP is part of the System’s implementation of best practices as set forth in its Strategic Plan, which includes the periodic review of consulting services.

The firm will be required to provide NHRS with actuarial consulting services in several substantive areas including general actuarial consulting services; valuation services; consultation advisory services; and extended services as required from time to time.

2005-2008 NHRS Strategic Business Plan

The strategic plan serves as the System’s map for navigating the challenges of a growing retirement-eligible population, rising demand for pension plan information, and increasing trust fund assets and complexity.

In fall 2005 NHRS selected Ennis Knupp to serve as the System’s investment consultant. Ennis Knupp is currently conducting an asset liability modeling study to review and develop an asset allocation designed to enable the System to meet its long-term objectives.

To further strengthen internal controls and establish appropriate monitoring processes as part of its best practices, NHRS has developed and implemented an internal compliance functional team including an internal auditor, compliance officer and chief legal counsel, who report directly to the Audit Committee of the Board of Trustees.

NHRS trustees, management and administrative staff developed the three-year strategic plan, collaboratively seeking new ways to realistically and successfully accomplish organizational goals and objectives. The strategic plan is a “living document” including all NHRS team members in revisiting goals and responsibilities with a focus on effective strategy and planning. As the end of one fiscal year approaches, the System’s team identifies strategic initiatives for the future fiscal year to be added to the three-year “rolling” plan. As a work in progress, the strategic plan continually evolves based on the changing needs of the membership and revised priorities as the result of those needs.

Our Next Step

AFT-NH as a member of the NH Retirement Coalition will be reviewing the RFP’s for actuarial services when they are submitted (May 31st) as well as reviewing the NHRS Strategic Business Plan. The Coalition will be meeting to consider all of this information and determine our next move.