

AFT-NH RETIREMENT UPDATE

7-18-06

“YOUR RETIREMENT AND POLITICS”

This may be the most important election year in recent history of New Hampshire public employees. We need to make sure that those elected into office this November know and understand our concerns and issues. The legislators elected this fall will most likely be casting important votes on the future of your retirement system.

Please continue reading and see how this one issue will affect all public employees and why it is so important for all of our locals to be involved in this year's state elections.

The Senate and House fiscal committee just finished reviewing the annual audit for the New Hampshire Retirement system on July 11, 2006. This comprehensive annual financial report for the fiscal year ended June 30, 2005, may be accessed from the NHRS web site at <http://www.nh.gov/retirement/annual.html>. Or, visit the NHRS web home page at www.nh.gov/retirement, select "Table of Contents", and then select "Annual Reports".

Overall the system is at a 60% funded level and if closed today would be able to pay 75% of the pension obligations. Auditors reported that the system is "trending down" in terms of funding levels. Auditors don't believe the system at 60% funding is in the unhealthy range (50 % seems to be the danger zone).

At this hearing Senator Clegg asked questions about the overall state exposure and the auditor indicated that the state would be responsible if the system went belly up, with the cost being in the billions. Senator Clegg also talked about the assumed rate of return being at 8.5% and seemed concerned that it was higher than it should be and might well belong in the 7.5% range. Representative King commented and the rest did an "amen" when he suggested that the next people sitting in the fiscal committee chairs will have to make some "difficult decisions"

Senator Green wants to talk more in depth with Executive Director Bob Leggitt who did not attend do to a retirement board meeting. Dick Joyal suggested that the legislature should look at all of the options including increasing employee rates.

THE NEXT STEPS.....

AFT-NH AS A MEMBER OF THE NH RETIREMENT COALITION IS WORKING ON A COMPREHENSIVE PLAN TO CONSIDER THE RESULTS OF THE AUDIT AND LEGISLATIVE GOALS FOR THE UPCOMING SESSION

A TALKING POINTS HANDOUT AND QUESTIONS FOR CANDIDATES REGARDING THE NH RETIREMENT SYSTEM WILL BE HANDED OUT TO MEMBERS FOR THE FALL ELECTION

AN INFORMATIONAL BOOKLET REGARDING THE NH RETIREMENT SYSTEM IS BEING PREPARED FOR MEMBERS

GET OUT THE VOTE WORKSHOP ON SEPTEMBER 23RD BEING PRESENTED BY AFT AND AFT-NH

WE NEED TO HAVE LOCALS ASSIST IN UPDATING OUR EMAIL DATABASE SO WE ARE ABLE TO MOBILIZE OUR MEMBERSHIP QUICKLY ON RETIREMENT SYSTEM ISSUES AND OTHER IMPORTANT MATTERS THROUGH THE AFT-NH GET ACTIVE SYSTEM

In Solidarity,

Laura Hainey

AFT-NH President

For further reading , please review this article from The Union Leader.

10 Percent Return Reported on NHRS Investment Fund

By Tom Fahey

New Hampshire Union Leader

July 12, 2006

Concord – A long-delayed annual report on the New Hampshire Retirement System released yesterday showed it earned 10 percent on its investments during the year that ended June 2005. Investment earnings were down nearly 5 percent when compared to the previous year, but well above average over the past five years. The report by the public employees' retirement plan was more than six months behind schedule. Auditors KPMG LLP had to delay their assessment until the conclusion of an investigation of the activities of former NHRS board chairman Edward Theobald. The investigation by a private law

firm, Bingham McCutchen of Boston, showed that while there were management problems at the fund, including questionable investment agreements and conflicts of interest, Theobald's alleged activities did not create losses. Members of the Legislative Fiscal Committee remain concerned about the fund, which is haunted by losses on its investments during the dot-com bust in 2001 and 2002. The fund lost an average of 6.5 percent in those two years. Because of that red ink, returns average roughly 3 percent over the past five years, despite double-digit earnings in 2004 and 2005.

The low return has pushed higher contributions onto employers like towns, school districts and state government. "It was an unusual period of market performance and it has cost the New Hampshire Retirement System," said Brock Romano of KPMG. The fund uses a five-year averaging method to smooth out the bumps between good and bad years, and keep long-term finances on a more even keel. Total NHRS assets rose last year to \$5.5 billion. The report shows that in 2005, NHRS's unfunded pension liability was in an unhealthy range of 25 to 33 percent, or roughly \$1.4 billion, depending on the method used to value assets. Despite the lagging performance, the NHRS is sound, Romano said. "We don't believe that the retirement system as a going concern is at risk for failure," he said. But the special accounts at NHRS that fund health insurance subsidies for retirees continue to suffer. They are supposed to be fed by earnings over 8.5 percent each year. Lately, earnings have been too poor to provide any cash flow to the accounts. Romano said the report did not touch on management issues, a topic he said will be addressed in another audit soon.

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