



New Hampshire

NEW HAMPSHIRE HAS DOUBLE THE TROUBLE of most states: it has had an extremely large drop in its aggregate pension funding levels over the last 10 years, and it has a significant bill coming due for non-pension benefits, relative to its size. On the pensions front, New Hampshire does a good job of keeping up with its annual required contributions. One problem with the state's retirement system, however, has been its practice of tapping investment earnings that exceed expectations and putting them in a separate account for cost-of-living increases. This has prevented the state from evening out investment performance in bad years with the additional interest that is earned in good years. Legislative reforms in 2007 have targeted this problem (see below). New Hampshire also has a hefty bill coming due for retiree health care and other non-pension benefits, with its actuarial valuation showing a \$2.9 billion unfunded liability for state employees.

PENSIONS

TOTAL BILL COMING DUE: **\$6.4 billion**¹

FUNDS SET ASIDE: **\$3.9 billion**

PORTION UNFUNDED: **\$2.5 billion**

PERCENT FUNDED: **61 as of 2006**²

TEN YEAR FUNDING HIGH: **110% in 1997**

TEN YEAR FUNDING LOW: **60% in 2005**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL?



ASSUMPTIONS: New Hampshire assumed a higher rate of return on its investments than any other state: 9% in 2006, compared with a 50-state median of 8%. It uses a five-year smoothing period to calculate the actuarial value of assets, similar to most states. The amortization period conforms to accounting standards.

¹ Pension fund includes state employees, police, teachers and firefighters.

² 50-state mean was 82%.

OTHER BENEFITS

TOTAL BILL COMING DUE: **\$2.9 billion**¹

FUNDS SET ASIDE: **\$0**

PORTION UNFUNDED: **\$2.9 billion**²

PERCENT FUNDED: **0 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL?



¹ For state employees.

² \$2,210 per capita, based on state population, compared to a national median of \$774 per capita.

REFORMS: In 2007, New Hampshire limited transfers to a special account that has been used to fund cost-of-living increases to retirees. In the past, investment returns that exceeded expectations were shifted to this account to the detriment of the retirement system's long-term health. The state made the change to better protect the principal of the retirement trust fund. The state also lengthened the amortization period for the retirement fund from 20 to 30 years, the maximum period that the Governmental Accounting Standards Board allows. Legislation in 2007 also stipulated that employer contributions should not fall below the rate of employee contributions, according to the National Conference of State Legislatures. A commission was appointed in 2007 to make recommendations on the future of the retirement system, with a report expected in December 2007.

KEY:  Top Performer

 Needs Improvement

 Below Par

 Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by Pew's Center on the States. The full report and 50 state fact sheets can be found at www.pewcenteronthestates.org.



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