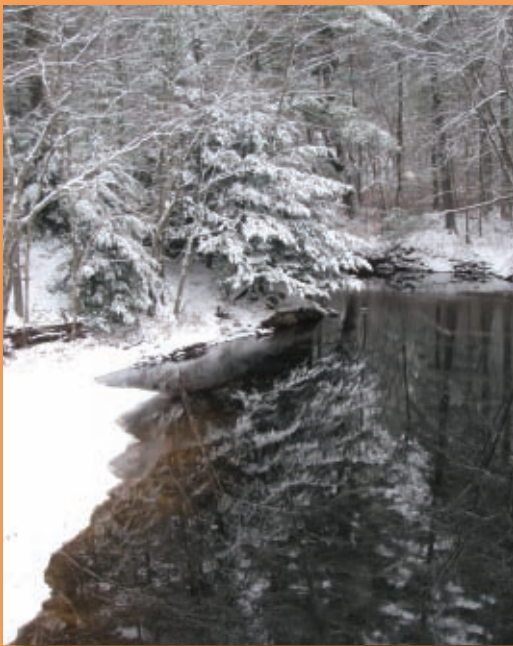
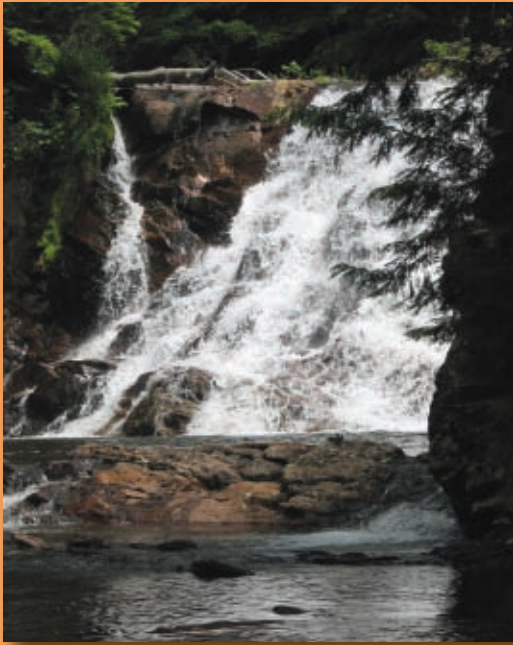
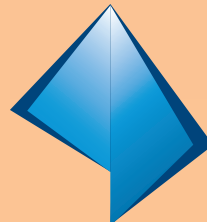


New Hampshire Retirement System



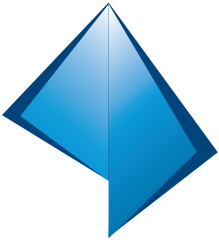
**A Component Unit Of
The State Of New Hampshire**

*Summary Annual
Financial Report
For The Fiscal Year Ended
June 30, 2007*



NHRS

New Hampshire Retirement System



NHRS

New Hampshire Retirement System

BOARD OF TRUSTEES

July 15, 2008

Charlton MacVeagh
Chair

Debra Douglas
Vice Chair

Stephen J. Arnold
Dean Crombie
Justin A. Cutting
Samuel Giarrusso
Keith R. Hickey
Sen. Harold Janeway
Charles Koontz
Germano Martins
Rep. Patricia M. McMahon
Joseph G. Morris
Brian Morrissey
Catherine Provencher

Timothy J. Crutchfield
Interim Executive Director

To: Members of the New Hampshire Retirement System

On behalf of the Board of Trustees, I am pleased to present the Summary Annual Financial Report for the fiscal year ended June 30, 2007. This report provides information about the financial status of the Plans and highlights other changes that occurred during the year.

NHRS's diversified investment policy continues to be sound. The investment policy as adopted by the Board is designed to generate competitive total returns on a long-term basis while maintaining appropriate levels of liquidity and risk. The total fund investment return for fiscal year ended June 30, 2007 was 16.0%, exceeding the targeted rate of return of 8.5%. The Plans' total fund investment return for the three-year and five-year periods ended June 30, 2007 was 11.9% and 10.4% respectively.

Significant legislation was enacted during fiscal year 2007 to improve the funded status of the Plans. These legislative changes are designed to protect the long-term financial condition of the Plans.

The role of the Board of Trustees is to ensure that the financial interest of all plan participants is adequately safeguarded over the long term. The Board is committed to fulfilling its fiduciary responsibilities for the benefit of all members and beneficiaries.

May I express my gratitude to the staff and my fellow Board members who have worked diligently to assure the successful operation of the Plans. The Board is keenly aware that many forces will shape and influence the Plans in the coming years. I am confident in our ability to meet these challenges.

Sincerely,

Charlton MacVeagh, Jr.
Chair of the Board of Trustees
New Hampshire Retirement System

Legislative Changes

Legislation was enacted during the 2007 legislative session to improve the long-term financial condition of the Plans in several important ways:

1. Changes the actuarial cost method from open group aggregate to entry age normal.
2. Changes the amortization period for unfunded accrued liabilities from 20 years to 30 years or the maximum period allowed by the Governmental Accounting Standards Board.
3. Restricts any funds from being transferred into the Special Account until such time as the funding ratio of the consolidated retirement system equals or exceeds 85%.

In addition, a commission was established to make recommendations to ensure the long-term viability of the Plans. As a result, HB 1645 was enacted during the 2008 legislative session including significant changes to current plan provisions.

Financial Highlights

- NHRS is a public employee retirement system that administers one Pension Plan and four separate medical subsidy plans. The medical subsidy plans are referred to as OPEB Plans, which is an acronym for “Other Postemployment Benefit Plans.” Together the Pension Plan and the OPEB Plans are referred to as the Plans. The assets of the Plans are commingled for investment purposes.
- Plan Net Assets increased by \$855.6 million in fiscal year 2007 compared to \$383.7 million in the prior year, a favorable increase of 123%.
- Net investment income for the year ended June 30, 2007 was \$839.0 million compared to net investment income of \$460.2 million for fiscal year 2006.
 - * This represents a 16.0% time-weighted return for the total fund for fiscal 2007 compared to a 10.0% return for the prior year.
 - * These investment results are primarily due to strong returns in domestic and international equity markets during the year.
- Member contributions increased by \$124.6 million or 84.3% in fiscal year 2007 primarily due to voluntary purchases of nonqualified service by members.
- Benefits paid increased by \$33.3 million or 9.3% over fiscal year 2006 due to an additional number of retirees and to cost-of-living adjustments granted to retirees through legislative action.

Summary Comparative Statements of Plan Net Assets — Combined Plans

	As of June 30, 2007	As of June 30, 2006	Amount Increase (Decrease)	% Increase Decrease
Cash	\$ 3,074,812	\$ 2,348,345	\$ 726,467	30.9%
Receivables	183,486,534	210,959,048	(27,472,514)	(13.0%)
Investments	5,919,977,259	5,134,654,405	785,322,855	15.3%
Cash Collateral on Securities Lending	804,318,936	829,733,593	(25,414,656)	(3.1%)
Other Assets	3,260,870	4,738,023	(1,477,153)	(31.2%)
Total Assets	\$6,914,118,412	\$6,182,433,414	\$731,684,998	11.8%
Cash Collateral on Securities Lending	804,318,936	829,733,593	(25,414,656)	(3.1%)
Other Liabilities	141,883,367	240,443,375	(98,560,008)	(41.0%)
Total Liabilities	\$ 946,202,304	\$1,070,176,968	(\$123,974,664)	(11.6%)
Net Assets Held in Trust for Benefits	\$5,967,916,108	\$5,112,256,446	\$855,659,662	16.7%

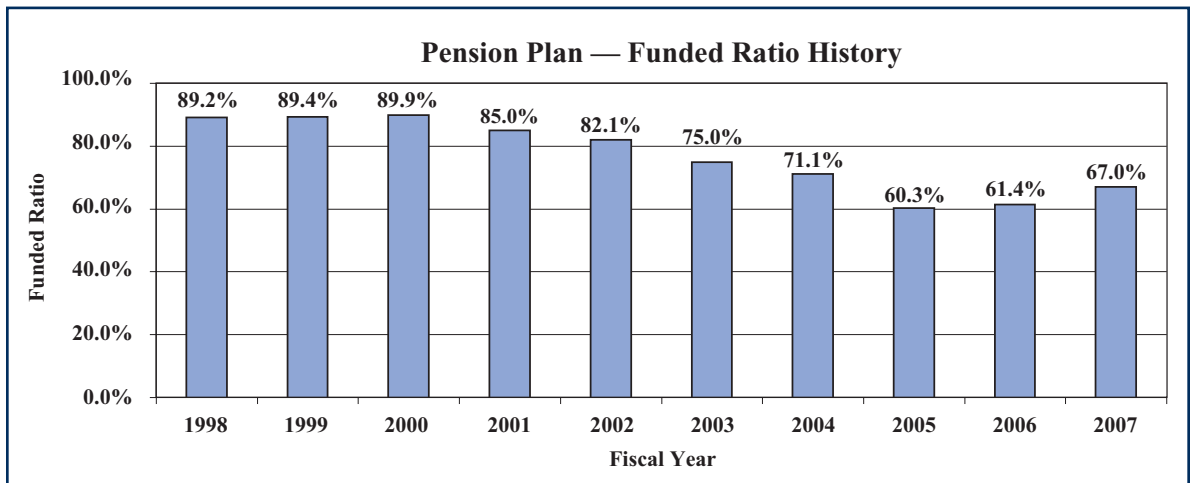
Summary Comparative Statements of Changes in Plan Net Assets — Combined Plans

	As of June 30, 2007	As of June 30, 2006	Amount Increase (Decrease)	% Increase Decrease
ADDITIONS:				
Employer Contributions	\$ 178,638,836	\$ 170,821,357	\$ 7,817,478	4.6%
Member Contributions	272,369,544	147,820,682	124,548,861	84.3%
Net Investment Income	838,985,373	460,199,492	378,785,880	82.3%
Postemployment Medical Transfers	58,200,721	61,448,686	(3,247,966)	(5.3%)
Net Asset Transfers to Pension Plan	295,392,205	0	295,392,205	
Other Income	1,029,390	819,842	209,548	25.6%
Total Additions to Plan Net Assets	\$1,644,616,068	\$841,110,061	\$803,506,007	95.53%
DEDUCTIONS:				
Benefits Paid	391,603,888	358,275,809	33,328,079	9.3%
Refunds of Contributions	34,080,225	29,382,243	4,697,982	16.0%
Postemployment Medical Transfers	58,200,721	61,448,686	(3,247,966)	(5.3%)
Net Asset Transfers from OPEB Plans	295,392,205	0	295,392,205	
Administrative Expenses	6,105,565	5,283,981	821,584	15.5%
Other Deductions	3,573,802	3,053,334	520,468	17.0%
Total Deductions from Plan Net Assets	\$ 788,956,405	\$457,444,053	\$331,512,353	72.5%
Total Changes in Plan Net Assets	\$ 855,659,662	\$383,666,008	\$471,993,655	123.0%

Funding Progress

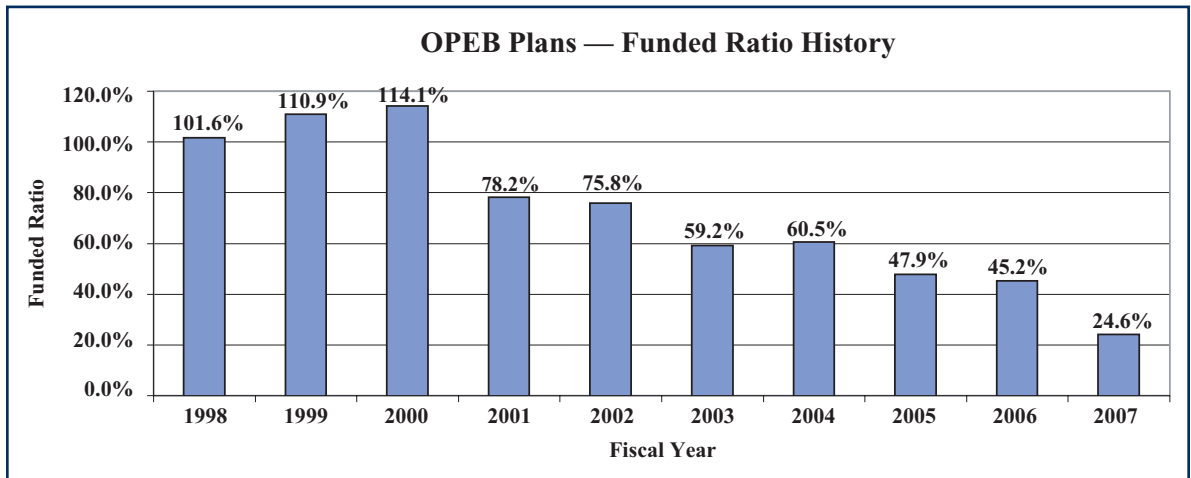
The primary measure of a benefit plan’s progress is its funded status that compares the assets available to the benefits that must be paid. In order to ensure that your retirement benefits are available to you, the actuary is able to compare the Plans’ assets against what the Plans owe now and in the future. This measure is called the plan funded ratio. It is a long-term process and it is important to keep in mind that all benefits are not due and payable at once.

- Funded ratios shown below for prior fiscal years were calculated using a different cost method and therefore are not comparable on a consistent basis.
- The actuarial accrued liability for the Pension Plan was \$7.260 billion at June 30, 2007.
- The actuarial value of assets available to pay pension benefits was \$4.862 billion.
- As a result, the Pension Plan funded ratio was 67.0%.



Of note for the OPEB Plans, it was determined that assets with a fair value of \$295.4 million at June 30, 2007 that were previously reported as OPEB Plan assets had to be reported as retirement assets.

- The actuarial accrued liability for the OPEB Plans was \$638.4 million at June 30, 2007.
- The actuarial value of assets available to pay OPEB benefits was \$157.0 million.
- As a result, the OPEB Plans’ funded ratio was 24.6%.



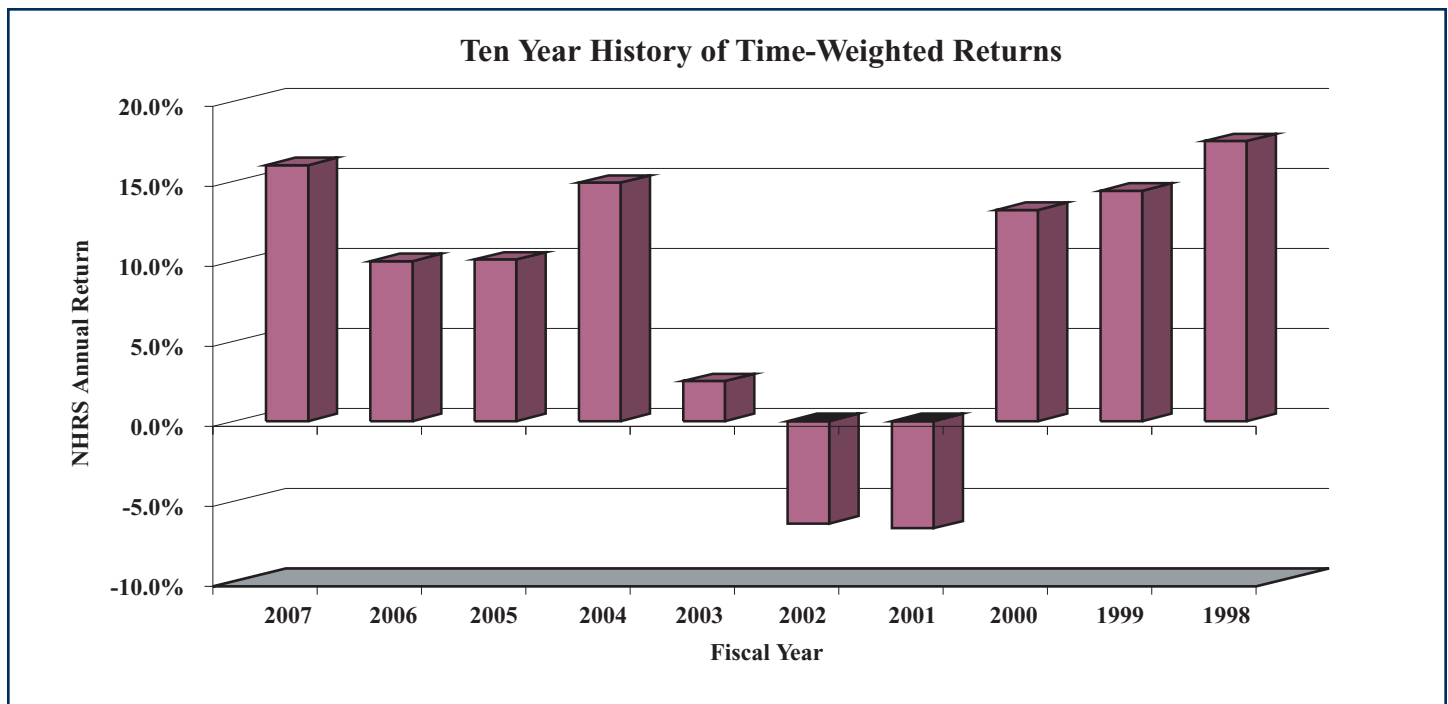
Investment Performance

- Investment return is reported net of expenses and is measured against a custom benchmark.
- The total fund custom benchmark consists of major market indices in proportion to the Plans' asset allocation.

The results of the Plans' investment program for the fiscal year ended June 30, 2007 are as follows:

- The total fund experienced a strong return in the last half of the fiscal year, returning 6.6% ahead of the total fund custom benchmark of 6.1%.
- For the entire fiscal year 2007, the total fund returned 16.0%, which fell just short of its benchmark of 16.2% for the same period.

	Current Year	Annualized		
	2007	3 year	5 Year	10 Year
Total NHRS Fund	16.0%	11.9%	10.4%	7.9%
Total Fund Custom Index	16.2	12.1	11.1	8.2

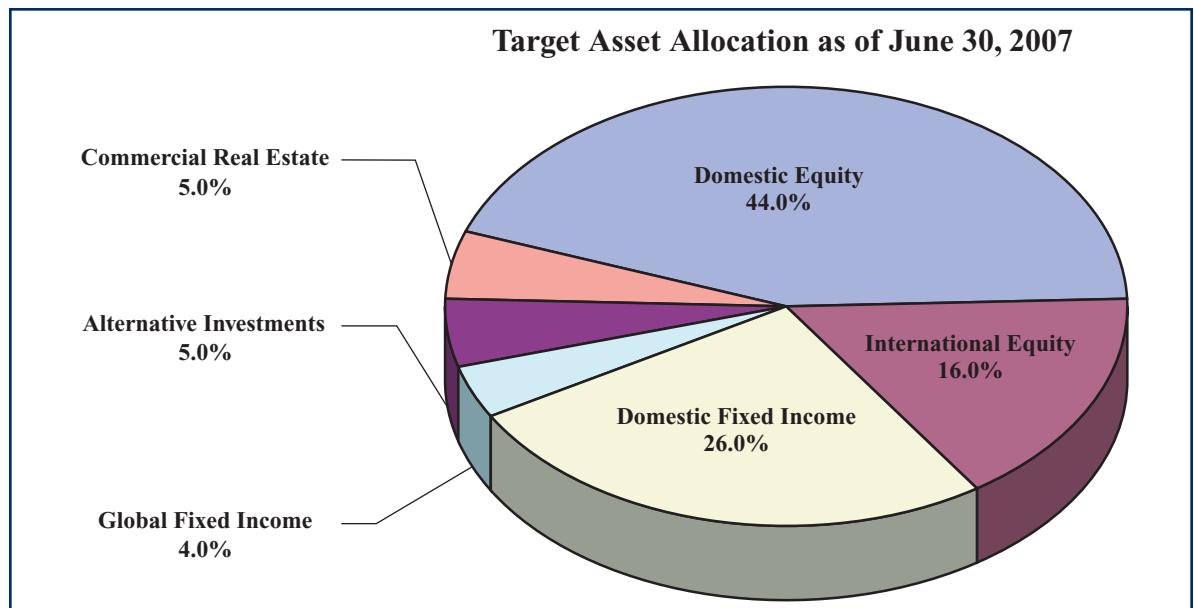
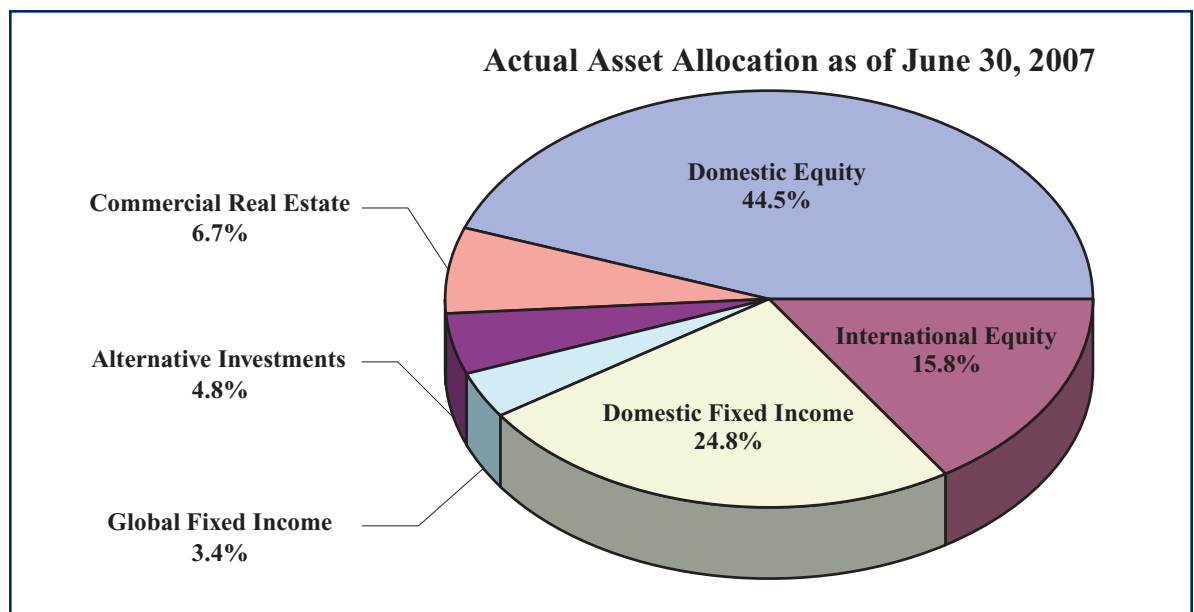


Diversification of Investments





The Plans' investment portfolio is broadly diversified across an array of asset classes in order to provide stability and guard against risk in the capital markets. In total, the Plans have a well-diversified investment program.

- During 2007 fiscal year, the Investment Committee completed a thorough review of the marketable investments portion of the investment program.
- Notable changes included the addition of low-cost index funds with a resulting reduction in investment management fees.
- A reduction was made to the commercial real estate and private equity allocations.

Shown below are the actual and target asset allocation as of June 30, 2007.



Member Profiles

PENSION PLAN					Total
	Employees	Teachers	Police	Fire	
Active Members					
Average Age	47.1	45.6	38.5	39.7	45.6
Average Pay	\$35,594	\$49,917	\$54,738	\$61,313	\$43,214
Retired Members					
Average Age	70.5	69.0	61.2	64.2	68.7
Average Pension	\$10,874	\$19,376	\$29,783	\$31,807	\$16,837
Total Membership					
Active	26,474	18,477	4,263	1,588	50,802
Retired	10,859	6,928	2,293	1,168	21,248
Terminated — Vested	528	480	38	3	1,049

OPEB PLANS	One-Person Coverage		Two-Person Coverage		
	Number of Retirees	Pre-65	Post-65	Pre-65	Post-65
		9,004	1,672	5,547	1,519

DISTRIBUTION OF RETIREES BY YEARS OF CREDITED SERVICE

	0–9 Years	10–19 Years	20–29 Years	30–39 Years	40+ Years	Total
Pension Plan						
Total Retirees	2,572	6,997	7,422	3,966	291	21,248
Annual Benefits	\$13,560,442	\$63,310,740	\$159,348,054	\$112,286,105	\$9,257,519	\$357,762,860
OPEB Plans						
Total Retirees	423	530	4,812	2,997	242	9,004
Annual Benefits	\$ 2,074,320	\$ 2,882,417	\$ 24,333,621	\$16,449,700	\$1,012,545	\$47,328,540

The Summary Annual Financial Report is derived from detailed information contained in the New Hampshire Retirement System's Comprehensive Annual Financial Report (CAFR). The System's CAFR is prepared in conformity with Generally Accepted Accounting Principles (GAAP) and is available on our website at www.nhrs.org.

Contact Information

New Hampshire Retirement System
54 Regional Drive
Concord, NH 03301-8507

Mon./Tue./Thu.: 8:00 a.m. to 5:00p.m.
Wed.: 8:00 a.m. to 6:00 p.m.
Fri.: 8:00 a.m. to 4:00 p.m.

Telephone: (603) 410-3500
Toll Free: (877) 600-0158
Fax: (603) 410-3501
Email: info@nhrs.org
Website: www.nhrs.org