STATE OF NEW HAMPSHIRE

ANNUAL REPORT AND INFORMATION STATEMENT SUPPLEMENT

DATED MARCH 27, 2013

Annual Report. *This Annual Report (the "Annual Report") has been prepared in connection with the State's continuing disclosure obligations under SEC Rule 15c2-12 with respect to its general obligation bonds. In addition to the Supplement below, this Annual Report includes and incorporates by reference the State's Comprehensive Annual Financial Report for the fiscal year ending June 30, 2012 (the "2012 CAFR") and the Information Statement (as defined below). The 2012 CAFR has been previously filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) service on January 3, 2013. The Information Statement has been previously filed with EMMA on November 19, 2012 as Part II of the State's Official Statement for its General Obligation Capital Improvement Bonds, 2012 Series B (the "2012 Series B Official Statement"). The 2012 Series B Official Statement is also available on the New Hampshire Treasury Department website at http://www.nh.gov/treasury/Divisions/DM/goOSDocs.htm*

Information Statement Supplement. *The following information is provided by the State in connection with the filing of the Annual Report to supplement the information contained in the State's most recent Information Statement dated November 14, 2012 (the "Information Statement"). This Information Statement Supplement (this "Supplement") only sets forth additional information concerning the matters described below as of the date of this Supplement and is subject to change without notice. Capitalized terms not otherwise defined herein are used as defined in the Information Statement.*

RECENT DEVELOPMENTS

Changes in State Officers

The State's new Governor, Margaret Wood Hassan, took office on January 3, 2013. Attorney General Michael Delaney announced on March 19, 2013 that he will not be seeking re-appointment as Attorney General when his term expires on March 31, 2013. Edgar Carter will leave his post as State Comptroller effective April 5, 2013, after serving in holdover status since July 1, 2012. The Commissioner of Administrative Services has submitted a name for nomination by the Governor to replace Mr. Carter as Comptroller.

Fiscal Year 2012

As of the date of the Information Statement the financial information concerning the State's fiscal year ended June 30, 2012 was unaudited and subject to change. Such financial information (except the information related to the Judicial Plan on page 76 of the Information Statement) has since been audited and no changes have been made to the information presented except:

- Under STATE FINANCES – State Revenues – *Tobacco Tax*, page 18 second paragraph: the fiscal year 2012 tobacco tax revenue was $11.7 million below the prior year.
- Under STATE FINANCES – State Revenues –*Motor Vehicle Surcharge* page 22: the registration fee revenue for fiscal year 2012 was $76.8 million.
- Under STATE FINANCES – Operating Budget for Fiscal Years 2012 and 2013 – *Summary of Significant Variances Between Budget Assumptions and Actual Results for Fiscal Year 2012* page 33: the General Fund impact of the *Chase Home* litigation was $2.7 million.

Accordingly, all references in the Information Statement to information for fiscal year 2012 (except the information related to the Judicial Plan on page 76 of the Information Statement) as being unaudited and/or preliminary and subject to change are hereby deleted and such information should be treated as audited information.

Fiscal Year 2013

The Governor's proposed budget for the next biennium, released February 14, 2013, estimated a deficit in fiscal year 2013 of $29.5 million dollars. The majority of this deficit is associated with a projected revenue shortfall of $24.4 million dollars, the bulk of which is due to expected actual collections of Medicaid Enhancement Tax revenue being $20 million under the budgeted amount. To address this situation, the Governor has identified the following one-time actions:

- A transfer to the State General Fund of $16.1 million of excess revenue in the dedicated renewable energy fund. This excess revenue is attributable to the relative attractiveness of the State's prices in the renewable energy marketplace of certain alternative compliance payments. Legislative action is required for this transfer and a provision is included in House Bill 2, currently being considered by the State Legislature.

- A $9.1 million reimbursement to the State General Fund for litigation and administration costs associated with the recently settled MTBE lawsuits. These settlement agreements each contain a provision designating 10% of the settlement amount for such reimbursement.

- A $3 million increase in tobacco tax revenue due to a floor tax effective in fiscal year 2013 associated with the Governor's proposed $0.30 per pack increase in the tobacco tax. Legislative action is required and a provision is included in House Bill 2, currently being considered by the State Legislature.

- A transfer to the State General Fund of $1.3 million of available balances in certain other State dedicated funds, to be identified by the Governor. Legislative action is required and a provision is included in House Bill 2, currently being considered by the State Legislature.

The Governor's office recognizes the uncertainty with MET revenue projections because of ongoing administrative appeals of assessments and litigation. As described below, the Governor's office currently projects receipt of an additional $10 to $15 million of MET revenues for fiscal year 2013, although it is possible that no additional MET revenues will be received. In the event the actual MET revenue shortfall is understated, additional excess renewable energy funds of approximately $10 million and additional dedicated funds of up to $5 million would likely be used address any remaining deficit. See *STATE FINANCES – State Revenues – Medicaid Enhancement Tax (MET) Revenues* below.

The information under the following headings supplements the information in the corresponding headings set forth in the Information Statement.

STATE FINANCES

State Revenues

Medicaid Enhancement Tax (MET) Revenues. Fiscal year 2013 MET payments from hospitals were due on October 15, 2012, but no interest or penalties are assessed if the tax is received by the State on or before October 31, 2012. In addition, DRA granted to some hospitals an extension to file without penalty by December 2012. The Department of Health and Human Services estimated receipt of $213.4 million in MET payments for fiscal year 2013. The State has received $179.4 million in fiscal year 2013 MET payments through March 26, 2013. A final MET return is then due to be filed on July 10, 2013. If the required return shows an additional amount of tax to be due, such additional amount is due and payable at the time the return is due. For fiscal year 2012, $9.5 million or 5.4% of the total tax collected was received in July 2012 with the final tax return. These final payments in July 2012 were due to a change in the tax due that occurred after the original payments were made. For fiscal year 2013, the Governor's office currently projects another $10 to $15 million in MET revenue will be collected in July 2013 with the final tax returns, although it is uncertain whether any additional payments will be received. There continues to be uncertainty for fiscal year 2013 as a result of administrative appeals of assessments and litigation with the hospitals that pay the tax. While the State believes the MET will be paid at some future date, the timing of collections is not certain. See LITIGATION.

Federal Sequestration. Certain federal funding received by the State will be adversely affected by implementation of certain provisions of the federal Budget Control Act of 2011 (the "Budget Control Act"), that was signed into law by the President on August 2, 2011. The Joint Select Committee on Deficit Reduction failed to reach an agreement on the deficit reduction actions as required by the Budget Control Act and, as a result, sequestration—a unique budgetary feature of the Budget Control Act—has been triggered. No legislative action was taken by Congress prior to March 1, 2013 and, accordingly, implementation of sequestration began on March 1, 2013 resulting in cancellation of $85 billion in federal appropriations through the end of federal fiscal year 2013 (September 30, 2013). Sequestration will adversely affect the availability of certain federal funds received annually by the State. Some of the largest sources of federal revenues for the State, however, such as Medicaid reimbursements and federal aid to highways, are generally exempt from sequestration. Exclusive of Medicaid and federal highway dollars, the State has budgeted approximately $500 million in federal funds for fiscal year 2013. Specific guidance on the reduction of these federal funds, if any, is not yet available. There will likely be timing differences between reductions in federal appropriations from sequestration and reductions in receipt of federal dollars by the State. Frequently, the State receives federal reimbursements one to two years after a federal appropriation is made.

The Internal Revenue Service notified the State on March 4, 2013 of an 8.7% reduction in direct pay subsidies for the State's outstanding "build America bonds" (BABs). The result for the remainder of State fiscal year 2013 will be a reduction in subsidies payable to the State with respect to its general obligation BABs in the amount of approximately $36,106, with an additional $56,094 reduction in the period from July 1, 2013 through September 30, 2013, the end of the current federal fiscal year. These shortfalls in subsidy payments will be covered by the General Fund debt service budget.

The State cannot predict at this time what total impacts sequestration will have on the State as a whole. The State will likely face reduced federal grant awards in future years as a result of overall efforts to control federal spending. Longer term, adverse effects may also arise due to the economic impacts of reduced federal spending in New Hampshire and New England, including reduced federal funds for research and defense related work and other activities that now receive federal funds.

Results of Operations

Fiscal Year 2013 (unaudited through February)

Unrestricted revenue for the General and Education Trust Funds received during the first eight months of fiscal 2013 totaled $1,043.3 million, which was below plan by $41.1 million, or 3.8%, but above the prior year by $26.3 million, or 2.6%. The unfavorable results as compared to plan were largely the result of the Medicaid Enhancement Tax ("MET") and Communications Tax performing below plan. See *State Revenues – Medicaid Enhancement Tax (MET) Revenues* above.

Tobacco tax is below plan by $9.5 million, or 6.5%, year to date, which is a result of a continued decline in state-wide sales of cigarettes. The plan had projected growth in tobacco tax receipts biennium over biennium even though the tax rate was reduced by $.10, from $1.78 to $1.68 per pack, effective July 1, 2011. The performance of the Communications Tax as compared to plan reflects the impact of legislation passed during fiscal year 2012, regarding the exclusion of certain internet services from the taxable base. The impact of such legislation on collections was originally expected to be approximately $12 million per year. Collections year to date are below plan by $13.2 million, and below the prior year by $11.4 million.

The following table compares on a cash basis, for the eight months ended February 28, 2013, General and Education Trust Funds unrestricted revenues for fiscal years 2012 and 2013 and a comparison to the revenue estimates from the fiscal year 2013 Operating Budget. Due to the combined filing of the business profits tax and business enterprise tax, it is not possible to measure accurately the individual effects of each of these taxes. They should be evaluated in their entirety. The fiscal year 2012 information is derived from the State's audited financial statements. All information in this table for fiscal year 2013 is preliminary and unaudited.

GENERAL AND EDUCATION TRUST FUNDS UNRESTRICTED REVENUES
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2013

(In Millions)

Revenue Category	FY 2012 Actual	Unaudited FY 2013 Actual	FY 2013 Plan	FY 2013 vs Plan Variance	FY 2013 vs Plan % Change	FY 2013 vs FY 2012 Variance	FY 2013 vs FY 2012 % Change
Business Profits Tax	$161.0	$154.2	$167.0	$(12.8)	-7.7%	$(6.8)	-4.2%
Business Enterprise Tax	104.8	108.5	101.6	6.9	6.8%	3.7	3.5%
Subtotal	265.8	262.7	268.6	(5.9)	-2.2%	(3.1)	-1.2%
Meals & Rooms Tax	167.1	173.9	164.3	9.6	5.8%	6.8	4.1%
Tobacco Tax	143.9	137.3	146.8	(9.5)	-6.5%	(6.6)	-4.6%
Transfer from Liquor Commission	86.6	89.2	94.1	(4.9)	-5.2%	2.6	3.0%
Interest & Dividends Tax	29.7	35.0	32.5	2.5	7.7%	5.3	17.8%
Insurance Tax	11.6	14.6	13.1	1.5	11.5%	3.0	25.9%
Communications Tax	52.1	40.7	53.9	(13.2)	-24.5%	(11.4)	-21.9%
Real Estate Transfer Tax	58.2	66.8	57.3	9.5	16.6%	8.6	14.8%
Securities Revenue	14.3	13.9	12.6	1.3	10.3%	(0.4)	-2.8%
Transfers from Lottery Commission	35.9	42.7	43.0	(0.3)	-0.7%	6.8	18.9%
Transfers from Racing & Charitable Gaming Commission	1.9	1.8	2.7	(0.9)	-33.3%	(0.1)	-5.3%
Tobacco Settlement	-	-	-	-	-	-	-
Utility Property Tax	17.8	16.7	15.4	1.3	8.4%	(1.1)	-6.2%
State Property Tax	-	-		-	-	-	-
Other	72.4	74.6	72.4	2.2	3.0%	2.2	3.0%
Subtotal	957.3	969.9	976.7	(6.8)	-0.7%	12.6	1.3%
Net Medicaid Enhancement Revenues*	55.9	70.8	104.8	(34.0)	-32.4%	14.9	26.7%
Recoveries	3.8	2.6	2.9	(0.3)	-10.3%	(1.2)	-31.6%
Subtotal	1,017.0	1,043.3	1,084.4	(41.1)	-3.8%	26.3	2.6%
Total	$1,017.0	$1,043.3	$1,084.4	$(41.1)	-3.8%	$26.3	2.6%

*Represents the portion of total MET revenues credited to the General Fund as unrestricted revenue. See *STATE FINANCES – State Revenues – Medicaid Enhancement Tax (MET) Revenues* on pages 18-19 of the Information Statement.

Operating Budget Fiscal Years 2014 and 2015

Governor's Proposal - General and Education Trust Funds. The Governor presented her proposed budget for fiscal years 2014 and 2015 to the Legislature on February 14, 2013. The Governor's proposed operating and capital budget, as well as the executive summary, can be found at *http://admin.state.nh.us/budget/*.

Total net appropriations for General and Education Trust Funds for fiscal years 2014 and 2015 are proposed to be $4,611.1 million, $139.9 million or 3.1% higher than the $4,471.2 million net appropriations for fiscal years 2012 and 2013. Based upon recommendations of the Governor's Consensus Revenue Estimating Panel, the Governor's plan assumes baseline unrestricted revenue will grow by 2.0% in fiscal year 2014 and 1.9% in fiscal year 2015. The plan also involves some additional revenue initiatives totaling $132 million over the biennium, including:

- $80 million for a licensing fee for a single high-end, highly regulated casino,
- $40 million associated with an increase in the Tobacco tax, which, even after the increase, would remain the lowest among the New England states, and
- $22.6 million in increased collections of the insurance premium tax due to the planned implementation of Medicaid Managed Care and Medicaid expansion under the Affordable Care Act.

The Governor proposes to fully fund the existing adequacy formula, providing $1.9 billion in aid to local schools. Overall, total State aid to municipalities and school districts for the 2014 -2015 biennium is proposed to be flat as compared to the current biennium, with certain individual aid programs receiving modest increases in the second year of the biennium.

The Governor's proposal targets certain areas, including education, public safety and health care:

- Restoring University System funding to $75 million in fiscal year 2014 and $90 million in fiscal year 2015 and fully restoring the Community College System to $40 million in fiscal year 2014 and increasing funding to $42.5 million in fiscal year 2015.

- Reinvesting in critical services to begin the restoration of the mental health system with the addition of $25.5 million in total funds over the biennium. The funding for these services adds capacity in all levels of the service system, in line with the recommendations of the State's 10-Year Plan for mental health. This 10-Year Plan was developed in 2008 by the State and mental health providers and advocates and progress had stalled due to the national recession.

- Continuing to re-direct a portion of revenue the State receives from its 529 college savings plan to directly support the operations of the State's Community College and University Systems, using the remainder of that revenue to reestablish a need-based scholarship program administered by the State's Department of Education.

- Creating an Office of Government Innovation and Efficiency in the Department of Administrative Services to: 1) implement the recommendations of the Government Innovation Commission; 2) work with agencies on continuous process improvement efforts; 3) work with agencies to implement recommendations from performance audits; and 4) develop transparent performance measures for State agencies.

- Continuing the centralization of State human resources and other business functions under the Department of Administrative Services and continuing to move boards and commissions to one common licensing system, providing easier access to the public for information about licensed professionals.

- Doubling the research-and-development tax credit from $1 million to $2 million to help businesses grow and continuing efforts to develop an online Business One Stop to make it easier for businesses to interact with State government and to reduce unnecessary duplication.

- Shoring up the State's public safety infrastructure, including funding the construction of a new women's prison in the capital budget, restoring the Children In Need of Services program, hiring additional state troopers, and replacing the loss of federal funds for Drug Task Force teams with State general funds.

Governor's Proposal - Highway and Turnpike Funds. The Governor proposes total net operating appropriations (including estimated lapses) for the Highway Fund for fiscal years 2014 and 2015 of $253.4 million and $258.0 million, respectively. This does not include capital appropriations. These total net operating Highway Fund appropriations are 3.6% less than estimated expenditures in fiscal years 2012 and 2013, amounting to a reduction of $19.1 million over the biennium. This reduction, however, is primarily attributed to a change from budgeting certain federal and other reimbursements from unrestricted revenue and appropriations to restricted. This change reduced unrestricted Highway Fund revenue and appropriations but not total revenue and appropriations in the Highway Fund. The Governor's proposal also accelerates the Turnpike System's payments to the Highway Fund from the sale of a portion of I-95 in fiscal year 2010 paying off the remaining balance of $30 million in fiscal years 2014 and 2015.

The Governor's proposals are now under consideration by the Legislature and are subject to change in all respects.

The following table sets out the General Fund and Education Trust Fund undesignated fund balances and the amounts designated for the Revenue Stabilization Account (Rainy Day Fund) for fiscal years 2013, 2014 and 2015. The information below is based on the Governor's proposed budget for the 2014-2015 biennium. See *Operating Budget Fiscal Years 2014 and 2015* above. For fiscal year 2013, "Dedicated Funds/Other Initiatives" represents the sum of several one-time actions the Governor has proposed to remedy a projected fiscal year 2013 deficit of the same amount. See *RECENT DEVELOPMENTS – Fiscal Year 2013* above.

GENERAL FUND AND EDUCATION TRUST FUNDS
FISCAL YEARS 2013 - 2014
(GAAP Basis In Millions)

	PROJECTED								
	FY 2013			**FY 2014**			**FY 2015**		
	General	**Education**	**Total**	**General**	**Education**	**Total**	**General**	**Education**	**Total**
Balance, July 1 (GAAP)	$13.8	$0.0	$13.8	($0.0)	$0.0	($0.0)	$2.5	$0.0	$2.5
Additions:									
Unrestricted Revenue	1,385.1	820.5	2,205.6	1,416.8	860.7	2,277.5	1,469.8	870.1	2,339.9
Dedicated Funds/Other Initiatives	29.5	-	29.5	-	-	-	-	-	-
Total Additions	**1,414.6**	**820.5**	**2,235.1**	**1,416.8**	**860.7**	**2,277.5**	**1,469.8**	**870.1**	**2,339.9**
Deductions:									
Appropriations Per Section 1 Governor's Recommended Budget	(1,324.9)	(956.0)	(2,280.9)	(1,368.1)	(958.6)	(2,326.7)	(1,428.4)	(961.4)	(2,389.8)
HB1/HB2 and Other Adjustments	6.8	(5.4)	1.4	6.7	-	6.7	6.8	-	6.8
Appropriations Net of Estimated Revenues	(1,318.1)	(961.4)	(2,279.5)	(1,361.4)	(958.6)	(2,320.0)	(1,421.6)	(961.4)	(2,383.0)
Less Lapses	44.6	-	44.6	45.0	-	45.0	46.9	-	46.9
Total Net Appropriations	**(1,273.5)**	**(961.4)**	**(2,234.9)**	**(1,316.4)**	**(958.6)**	**(2,275.0)**	**(1,374.7)**	**(961.4)**	**(2,336.1)**
GAAP & Other Adjustments	(13.4)	(0.6)	(14.0)	-	-	-	-	-	-
Current Year Balance	**127.7**	**(141.5)**	**(13.8)**	**100.4**	**(97.9)**	**2.5**	**95.1**	**(91.3)**	**3.8**
Fund Balance Transfers (To)/From:									
Rainy Day Fund	-	-	-	-	-	-	-	-	-
Education Trust Fund	(141.5)	141.5	-	(97.9)	97.9	-	(91.3)	91.3	-
Balance, June 30	**(0.0)**	**-**	**(0.0)**	**2.5**	**-**	**2.5**	**6.3**	**-**	**6.3**
Reserved for Rainy Day Account	**9.3**	**-**	**9.3**	**9.3**	**-**	**9.3**	**9.3**	**-**	**9.3**
Balance, June 30 (GAAP)	**$9.3**	**$0.0**	**$9.3**	**$11.8**	**$0.0**	**$11.8**	**$15.6**	**$0.0**	**$15.6**

MEDICAID PROGRAM

The following is inserted at the end of the first paragraph under *The 2012-2013 Biennial Operating Budget* on page 44 of the Information Statement.

"The managed care contracts are required to be approved by CMS in order for New Hampshire Medicaid to draw the federal funds associated with the Medicaid program. Key to CMS decision making is the managed care organizations' ability to develop an adequate provider network to support Medicaid managed care beneficiaries. The managed care organizations have not been able to recruit an adequate number of hospitals and affiliated primary care providers in the southern tier of the State, due in part to a lawsuit which has prevented CMS from approving the contracts and the State from proceeding with implementation. The State has been able to absorb the planned savings of $16 million, primarily because the Medicaid program has had minimal growth in enrollment and expenditures over the biennium. See *LITIGATION – Dartmouth Hitchcock, et al v. Toumpas* herein."

The last paragraph under MEDICAID on page 45 of the Information Statement is deleted and replaced with the following:

"In June 2012, the United States Supreme Court held that the Medicaid expansion as envisioned by PPACA was optional for states, not mandatory. However, all other provisions of PPACA remain in effect. While the initial Medicaid expansion is currently scheduled to take effect on January 1, 2014, the State believes a decision to opt out of this aspect of PPACA could be made at any time. In order to provide detailed information regarding this issue, the State engaged an outside consultant, the Lewin Group, to analyze the various implications of expanding or not expanding Medicaid, including estimates of the number of potentially eligible citizens, the costs of their coverage over time and impacts to the State economy, the State budget and the commercial insurance market in New Hampshire. In addition, because PPACA also calls for the gradual termination of the Disproportionate Share Hospital (DSH) program, the Lewin Group analysis also explored the impact of Medicaid Expansion on the Uncompensated Care Program. The Lewin reports can be found online at: *www.dhhs.nh.gov/ombp/publications.htm*. The Lewin Group illustrated numerous policy and program options that New Hampshire could consider if it expands Medicaid; such options impact the possible size and cost of the expansion. In its Phase II Report released in January 2013, the Lewin Group projected that Medicaid expansion would cost the State an additional $85.5 million for the period 2014 to 2020, as compared to estimated savings of $65.8 million if no expansion occurs. In addition, the Lewin Group examined the likely impact Medicaid expansion would have on other State programs and determined that during this same period, the State could realize savings of approximately $67.1 million, which would result in a net cost to the State of approximately $18.3 million. The Lewin Group report also estimated the federal cost of Medicaid expansion in New Hampshire to be $2.5 billion for the period 2014 to 2020. Under current law, the increased costs are to be borne 100% by the federal government for 2014 and 2015 and decreasing thereafter to a 90% share by 2020. The current projected cost of Medicaid expansion in fiscal year 2014 is $107 million, which represents only six months of the year, and $212 million for all of fiscal year 2015. However, the Lewin Group report is based upon many assumptions and variables and there can be no assurance that actual costs and savings, if any, will occur as set forth in their reports. Governor Hassan declared support for Medicaid expansion in her budget address and the Legislature is currently discussing Medicaid expansion as part of its budget deliberations. No final decisions have yet been made on this matter.

STATE RETIREMENT SYSTEM

This section is re-stated in its entirety and marked to show changes as compared to the same section set forth in the Information Statement.

Overview

The State maintains a defined benefit pension plan, which is administered by the New Hampshire Retirement System ("NHRS" or "System"). The System administers one cost-sharing multiple-employer pension plan (the "Pension Plan") and four separate cost-sharing multiple-employer postemployment medical subsidy healthcare plans (the "Medical Subsidy Plans" and collectively, with the Pension Plan, the "Plans"). The Pension Plan covers effectively all State employees and all public primary and secondary teachers, law enforcement and fire service employees. Full-time employment is required to join the Plan. In addition, New Hampshire political subdivisions may elect to join the NHRS to cover their other employees. At June 30, 2012, there were approximately

48,625 active, 1,372 inactive vested, 7,041 inactive non-vested, and 28,454 retired members of the System. The System provides service, disability, death and vested deferred pension retirement benefits to its members and their beneficiaries.

The State and participating political subdivisions appropriate funding for the Plans based on percentage rates for each member's annual earnable compensation. These rates include a "normal contribution" rate and an "accrued liability contribution" rate and are based on biennial actuarial valuations. The Plan's unfunded liabilities are currently amortized over a 30-year period beginning July 1, 2009. The thirty year amortization period began with the actuarial valuation performed as of June 30, 2007 as required by law, however because of the lag between valuation results and effective date of corresponding employer rates, the actual amortization of the liability began on July 1, 2009. The System also provides postemployment health benefit plans through the Medical Subsidy Plans. The Medical Subsidy Plans are effectively functioning on a pay-as-you-go basis. Medical subsidy payments are made by the System from a 401(h) subtrust on behalf of a closed group of eligible participants. Medical subsidy payments are made directly to former employers (State and local governments), insurance companies, and third party health insurance administrators to offset the cost of health insurance for the eligible retirees. The balance of the insurance premium is paid by either the retiree or the former employer, depending on the employer's policy.

Additional information pertaining to the Pension Plan is contained in the State's audited financial statements for the year ended June 30, 2012 at note 10, which financial statements are incorporated by reference in this Information Statement and included as Exhibit A hereto. The System's audited financial statements are also included in the State's Comprehensive Annual Financial Report for the year ended June 30, 2012 (the "2012 CAFR"), which report is also incorporated herein by reference and may be accessed at *http://admin.state.nh.us/accounting/*. The 2012 CAFR has also been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system, which may be accessed at *http://emma.msrb.org*.

The System issues publicly available financial reports that may be obtained by requesting them in writing at 54 Regional Drive, Concord, NH 03301-8507 or from their web site at *www.nhrs.org*. Currently available reports include the System's Comprehensive Annual Financial Report for the year ended June 30, 2012 (the "2012 System CAFR"), which may be accessed at *www.nhrs.org/Investments/Reports.aspx* and the Actuarial Valuation Report as of June 30, 2012 (the "2012 Actuarial Valuation"), which may be accessed at *www.nhrs.org/Investments/Valuations.aspx*. The 2012 System CAFR and the 2012 Actuarial Valuation are incorporated herein by reference. Similar reports for prior years are also available from the System at the addresses set forth above or at *www.nhrs.org*.

The Board of Trustees (the "Board") accepted the 2011 Actuarial Valuation on July 10, 2012, and certified the employer contribution rates for the 2014-2015 biennium on September 11, 2012. By law, the Board must certify those rates by October 1, 2012. See *Results of Actuarial Valuations* below.

In March 2011, the System received an actuarial experience study (the "2005-2010 Experience Study") of the System for the period July 1, 2005 through June 30, 2010. The 2005-2010 Experience Study is incorporated herein by reference and may be accessed at *www.nhrs.org/Investments/Valuations.aspx*. See "2005-2010 Experience Study" below for a description of the recommendations and the impact of the recommendations on the aggregate estimates of the Plans and contributions due from the State and participants.

On March 18, 2011, the NHRS Independent Investment Committee voted to recommend to the NHRS Board of Trustees that the assumed investment rate of return be lowered from 8.5% to 7.75%. While not binding on the Board, the actuary recommended in the 2005-2010 Experience Study that the assumed investment rate of return be reduced to within a range of 7.5% to 8.0% for the biennial valuation to be performed as of June 30, 2011 which was used to set contribution rates for fiscal years 2014 and 2015.

On May 10, 2011, the Board of Trustees voted to adopt actuarial assumptions to be used by the actuary when performing the actuarial valuation as of June 30, 2011, which was used to set the employer contribution rates for fiscal years 2014 and 2015. In addition to the demographic and economic assumptions recommended by the System's actuary, the most significant assumption changes adopted by the Board lowered the assumed rate of return from 8.5% to 7.75% and lowered the wage growth assumption from 4.5% to 3.75%. See "2005-2010 Experience

Study" below for information regarding the impact of these changes. Pursuant to Chapter 224:188, Laws of 2011, on August 4, 2011, the Board of Trustees recertified the employer rates for fiscal years 2012 and 2013, effective August 1, 2011. In the recertification, as required by law, the Board took into consideration all the pension changes from Chapter 224 Laws of 2011and used the actuarial assumptions adopted by the Board when originally setting the fiscal year 2012 and 2013 rates (8.5% assumed rate of return and 4.5% assumed wage growth) in September 2010.

Effective July 1, 2011, the membership of the NHRS Board of Trustees was substantially changed. Under prior law, the 14 member Board included two active members from each of the four member groups, one senator, one representative, two public members appointed by the Governor and Council, an employer member from the New Hampshire municipal association and the State Treasurer. The new 13 member Board is now made up of one active member from each of the four member groups, four public members appointed by the Governor and Council, the State Treasurer and four employer members one each from the municipal association, school boards association, association of counties and a member to represent management of the State.

Financing

The financing of the System is provided through both member and employer contributions from the State and political subdivisions. The member contribution is set by State statute and prior to July 1, 2011 equaled 5% of payroll for State and political subdivision employees and teachers and 9.3% for police and firefighters. Effective for all State employees hired after June 30, 2009, the member rate is 7%. Effective July 1, 2011, the statutory member contributions equal 7% for all State and political subdivision employees and teachers, 11.55% for police members and 11.80% for fire service members. The member rate increase resulted in additional contributions of $47 million in fiscal year 2012 over fiscal year 2011, and is projected to increase $41 million in fiscal year 2013, over what was projected to have been collected from members without the rate increase. The employer contribution rate is based on a biennial actuarial valuation performed by an independent actuary and then certified by the NHRS Board of Trustees. The State Constitution provides that the employer contributions certified as payable to the System to fund the System's liabilities, as determined by "sound actuarial valuation and practice," shall be appropriated each fiscal year in the amount so certified.

The NHRS interpreted the effective date for the increase in member rates to be applicable to paychecks issued on or after July 1, 2011. All employers, with the exception of the State, collected and remitted the higher member contributions for paychecks dated on or after July 1, 2011. The State has interpreted the law to be effective for service rendered on or after July 1, 2011. Therefore State employees did not pay the higher member contribution rate until the paycheck dated July 29, 2011. The member contributions not remitted by the State in July 2011 approximate $825,000. State administrative rules authorize the Board of Trustees to suspend requirements when a member will be harmed through no fault of the member and further states the party determined to be at fault will reimburse the NHRS. Under this authority, the Board of Trustees voted at its October 11, 2011 meeting to waive the pending contribution adjustment to its State members so that full service credit can be provided to those members. Further, the Board of Trustees proceeded to act under its administrative and statutory authority to adjust for the $825,000 as reflected in the 2011 Actuarial Valuation, accepted by the Board July 10, 2012.

On June 29, 2011, the Professional Firefighters of New Hampshire, New Hampshire Police Association, National Education Association – New Hampshire and State Employees Association of New Hampshire filed a Motion for a Temporary Restraining Order against the State in Merrimack County Superior Court seeking status quo on member contribution rates and recertification of fiscal year 2012 and 2013 employer contribution rates until such time as the Court could rule on the Petition for Declaratory and Injunctive Relief filed by the same petitioners on the same day. While the NHRS is not a named party in the suit, it would certainly be impacted by a final decision and the petitioners and the State have included the NHRS on correspondence and court orders as the case progresses. The Court declined to issue an immediate injunction but set a hearing for September 12, 2011. That hearing was continued until November 17, 2011. On January 6, 2012, the Court issued an Order dismissing both claims but offered the petitioners 30 days to amend their complaint to allow them to identify individual members who were vested as defined by the Court and consequently suffered a substantial impairment of a vested contract right due to the increase in member contribution rates. On February 24, 2012, the petitioners filed an amended complaint. On March 22, 2012, the State filed a renewed Motion to Dismiss to which the petitioners responded with an Objection on April 2, 2012, citing the New Hampshire Supreme Court's March 30, 2012, *Cloutier v. State* decision. In early July 2012, counsel for the parties filed a joint motion for interlocutory appeal in an attempt to expedite the issues under appeal to the New Hampshire Supreme Court. On July 27, 2012, the Superior Court approved the interlocutory appeal and the parties then filed a joint statement to the Supreme Court for its consideration. On September 26, 2012, the Supreme Court declined to accept the case, thereby returning it to the Superior Court for final disposition before being appealed to the New Hampshire Supreme Court. See LITIGATION.

The Pension Plan is divided into two membership groups. Group I consists of State and local employees and teachers. Group II consists of firefighters and police officers. The Medical Subsidy Plans consists of four groups: 1) State employees, 2) political subdivision employees, 3) teachers, and 4) police officers and firefighters. The State funds 100% of the employer cost for the Plans for all State employees and, prior to fiscal year 2010, the State funded 35% of the employer cost for teachers, firefighters and police officers employed by political subdivisions. Due to changes made in the 2009 legislative session, the State funded 30% of the employer cost for these three employee classes in fiscal year 2010 and 25% of the employer cost for such employees in fiscal year 2011. Pursuant to Chapter 224, Laws of 2011, effective July 1, 2011, the State will no longer share in the funding of local employer contributions, with the exception of $3.5 million in fiscal year 2012.

In March 2010, a lawsuit was filed by the City of Concord, NH, Belknap County and Mascenic Regional School District, with backing from approximately 294 other New Hampshire municipalities, counties, school districts and school administrative units, challenging the constitutionality of the reduction in the State's share of funding for local employer costs for teachers, firefighters and police officers in fiscal years 2010 and 2011. The lawsuit alleged that the reduction for those two fiscal years violates the State Constitution as an unfunded mandate imposed by the State on the local employers. On May 13, 2011, the Superior Court found that the reduction of the State's share of employer contributions did not create an unfunded mandate in violation of the constitution. On May 26, 2011, the municipalities filed a motion for reconsideration; the motion was denied by the Superior Court on June 10, 2011. The Petitioners filed a notice of appeal to the New Hampshire Supreme Court on June 29, 2011. The New Hampshire Supreme Court accepted the appeal on July 19, 2011. On September 19, 2011, the Petitioners filed their brief with the Court. The State and the NHRS filed their respective briefs in early November and oral argument was held on March 13, 2012. On August 31, 2012, the New Hampshire Supreme Court issued a decision affirming the Superior Court's decision. On September 10, 2012, the petitioners filed a Motion to Reconsider and on September 20, 2012 the State filed an Objection to that Motion. On September 28, 2012 the New Hampshire Supreme Court issued an order denying the Motion to Reconsider, officially ending the case. See LITIGATION.

The reduced percentage contribution for the State's share of local employers in fiscal years 2010 and 2011 reduced the State's aggregate contributions to the Plans in those years by $8.59 million and $18.73 million, respectively. The budget adopted for fiscal years 2012 and 2013 removes State funding for local employer contributions with the exception of $3.5 million in fiscal year 2012 noted above. With the significant legislative changes made to pension eligibility coupled with increased member contributions, the State paid approximately $63.2 million less in fiscal year 2012 and will pay $65.6 million less in fiscal year 2013 than would have been the case with no change in law and resumption of 35% State sharing of local employer contributions. See *Total Employer Contributions to NHRS* tables below.

Chapter 224, Laws of 2011 includes many changes to eligibility and pension benefits, primarily for new members and members that are not vested as of January 1, 2012. These changes are intended to reduce the future pension liability and include, but are not limited to:

- Increasing the retirement age for employees and teachers from 60 to 65.

- Increasing the minimum retirement age for police and fire from 45 with 20 years of service to 50 with 25 years of service.

- Average final compensation (AFC) used to calculate pension benefits will be calculated using the highest five years' salary rather than the current highest three years' salary. In addition, compensation in excess of base pay in the final years of service will not be included. Caps have been defined for maximum retirement benefits.

Chapter 224:188, Laws of 2011 also required the Board of Trustees to recertify the employer rates for fiscal years 2012 and 2013 taking into consideration all the recent legislative changes and using the actuarial assumptions used by the Board when originally setting the fiscal year 2012 and 2013 rates (8.5% assumed rate of return and 4.5% assumed wage growth). The Board voted on June 14, 2011 that if rates for fiscal years 2012 and 2013 were to be recertified, it would use the new actuarial assumptions that it recently adopted to set the rates for fiscal years 2014 and 2015 (7.75% asumed rate of return and 3.75% assumed wage growth). The Board voted in a Special Meeting on June 28, 2011 to seek an injunction to bar this section of law from taking effect, believing it unconstitutional for the legislature to require the Board to use certain actuarial assumptions. A Petition for Injunctive Relief was filed with the Merrimack County Superior Court on July 12, 2011. The Court denied the request and effective August 1, 2011, the Board recertified employer rates for fiscal years 2012 and 2013 as mandated by Chapter 244:188, Laws of 2011. In late September 2011, the Board decided not to pursue the recertification lawsuit following the assent of the New Hampshire Attorney General's office to file a particular type of withdrawal – referred to as neither party docket markings.

The State's Annual Required Contribution ("ARC") shown below represents both Pension Plan and Medical Subsidy Plans contributions currently required by statute for both State employees and the State's share of employer contributions for local government employees. The contribution amounts are determined as a percentage of the payroll for eligible employees. Accordingly, the actual dollar amount of contributions in any year will vary from estimates to the extent the actual payroll varies. The amounts shown in the table below for fiscal years 2012 and 2013 are estimated, as described in the footnotes to the table and are subject to change. The actual contribution by the State and local participants will likely differ from the amounts shown.

Total Employer Contributions to NHRS (Pension and Medical Subsidy)
(in millions)

			State Share					
Fiscal Year	**Total Employer**	**% of ARC**	**For State Employees**	**On Behalf of Local**	**Total**	**State Share % of Total**	**Local Share**	**Local Share % of Total**
2013(est)[1]	$307.3	100%	$66.4	$0.0	$66.4	22%	$240.9	78%
2012	303.5	100%	70.2	3.5	73.7	24%	229.8	76%
2011	307.5	100%	73.6	44.3	117.9	38%	189.6	62%
2010	302.2	100%	74.5	51.5	126.0	42%	176.2	58%
2009	261.5	75%	60.5	51.0	111.5	43%	150.0	57%
2008	249.9	75%	56.6	50.2	106.8	43%	143.1	57%
2007	178.6	100%	42.0	36.1	78.1	44%	100.5	56%
2006	170.8	100%	39.1	33.6	72.7	43%	98.1	57%
2005	133.1	100%	34.1	25.6	59.7	45%	73.4	55%
2004	123.6	100%	32.6	22.8	55.4	45%	68.2	55%
2003	88.5	100%	21.5	17.6	39.1	44%	49.4	56%

[1] The amounts shown for fiscal year 2013 are estimates based on the Board's recertification of rates in accordance with Chapter 224, Laws of 2011.

The 2011 Actuarial Valuation includes certain projections through fiscal year 2019. See *Section A - Discussion and Comments – Projections* on pages 21-22 of the 2011 Actuarial Valuation. For comparison to the Total Employer Contributions shown in the table above, the 2011 Actuarial Valuation projects those amounts to increase from an estimated $336.3 million in fiscal year 2013 (shown above) to a projected $409.8 million in fiscal year 2014 and to a projected $462.3 million by fiscal year 2019. In addition, the funded ratios are projected to increase from 57.4% as of June 30, 2011 to 70.5% by June 30, 2019.

As noted in the 2011 Actuarial Valuation, the projections are not predictions of actual future results and the actual experiences will differ from the projections.

As discussed below under “Medical Subsidy Plans,” starting in fiscal year 2007, changes were made to the way the Medical Subsidy Plans were accounted for and funded. For years prior to fiscal year 2008, and in accordance with State statute, 25% of employer contributions were credited to the 401(h) Medical Subsidy Plans when received; the Pension Plan was then made whole by transferring assets from a Medical Special Account to the Pension Plan. On the advice of NHRS counsel, the NHRS stopped this practice effective for fiscal year 2008.

As a result of this changed practice and as reported in the June 30, 2008 interim actuarial valuation discussed below, only 75% of the ARC was contributed in fiscal years 2008 and 2009. While the State and all other employers had consistently paid 100% of the rates certified by the NHRS Board of Trustees, the rates certified by the NHRS Board of Trustees in 2005 with respect to fiscal years 2008 and 2009 did not include a separate component for the funding of the Medical Subsidy Plans. At the time such rates were certified in 2005, the NHRS Board of Trustees was not aware that the Pension Plan would only be credited with 75% of the ARC for fiscal years 2008 and 2009, as a result of the change in practice with respect to Medical Subsidy Plans described above, which first took effect in fiscal year 2008.

The difference between the State’s ARC and the actual State contributions for fiscal years 2008 and 2009, approximately $27 million and $28 million, respectively, have been accrued as a liability in the State’s government-wide financial statements as a net pension obligation and will be funded through future employer contributions.

The state law that established a Special Account to fund or partially fund additional benefits, such as cost of living adjustments and any other additional benefits that may be approved by the Legislature from time to time was repealed during the fiscal year 2012 legslative session by Chapter 261. The Special Account was credited annually with all of the earnings on an actuarial basis of the Special Account assets plus, under prior law, the earnings on the remaining assets of the Pension Plan in excess of the assumed rate of return plus ½ of 1%. However, legislation was enacted in fiscal year 2007 that restricted any funds from being credited to the Special Account until the funded ratio of the consolidated retirement system as of June 30th of any given year was equal to or greater than 85%. Upon achievement of the 85% funded ratio, only returns in excess of ten and one-half percent would be allocated to the Special Account. As required by Chapter 224, Laws of 2011 any amounts in the Special Account as of June 30, 2011 were transferred to the main pension trust, except for a holdback of approximately $20 million to fund legislatively approved temporary supplemental benefit allowances (TSA) for political subdivision employees receiving medical subsidy benefits due July 1, 2012. As stated above, the Special Account was repealed by Chapter 261, Laws of 2012, and all remaining funds transferred back to the main pension trust after the July 1, 2012 TSA was paid.

2005-2010 Experience Study

On March 8, 2011 the Board of Trustees accepted the 2005-2010 Experience Study for the period July 1, 2005 through June 30, 2010. The 2005-2010 Experience Study contains related information regarding the System and can be accessed in its entirety at *http://nhrs.org/documents/NHRS_5_Year_Experience_Study_March_2011.pdf*. In addition to demographic and economic assumptions recommended by the System’s actuary, significant recommendations included reducing the current 8.5% investment rate of return to within a range of 7.5% to 8.0% and reducing the current 4.5% assumed wage growth to within a range of 3.5% to 4.0%. The Board of Trustees voted on May 10, 2011 to adopt 7.75% as the assumed rate of return and 3.75% as the assumed wage growth for use in the 2011 Actuarial Valuation.

Results of Actuarial Valuations

The NHRS has actuarial valuations performed biennially in each odd-numbered year, the results of which are used to determine the employer contribution rate for the next succeeding biennium. The actuarial valuation dated as of June 30, 2009 was used to determine the required contributions for fiscal years 2012 and 2013 and the final June 30, 2011 actuarial valuation was used to determine the required contributions for fiscal years 2014 and 2015. The 2011 Actuarial Valuation was issued in November 2011, revised in January 2012 and accepted by the Board of Trustees at their July 10, 2012 meeting.

An interim valuation as of June 30, 2012 was prepared and accepted by the Board of Trustees on January 8, 2013. This interim valuation is for informational purposes only and will not be used to set contribution rates. Overall, plan experience was unfavorable. The rate of return for the year ending June 30, 2012 was 3.22% on the actuarial value of assets, below the assumed rate of return of 7.75% resulting in a recognized loss of $260 million (pension and medical subsidy combined). Total covered payroll decreased by 1.19% versus the assumed increase of 3.75%. The decrease in payroll results in an increased pension liability. If the 2012 valuation were to be used to set contribution rates, the experience would have increased the employer contribution rate by 0.80% of payroll (pension and medical subsidy combined) and decreased the pension funded ratio by 1.3%.

Actuarial Valuations can be viewed in their entirety at *www.nhrs.org/Investments/Valuations.aspx*. Based on the results of the interim 2012 Actuarial Valuation, the net assets available to pay benefits, at actuarial value, were reported to be $5,817.9 million. The market value of assets as of June 30, 2012 was approximately $43.6 million less than the actuarial value. The total pension liability at June 30, 2012 was $10,361.6 million, resulting in an unfunded pension liability at June 30, 2012 of $4,543.7 million and a funded ratio of 56.1%. Effective July 1, 2007 the System's actuarial cost method changed from the open group aggregate cost method to the more widely used entry age normal cost method. The total liabilities since that date have been determined using the entry age normal actuarial cost method and a 30-year closed amortization of the unfunded accrued actuarial liability. Due to the fact that contributions for any particular fiscal year are determined by actuarial valuation performed up to four years prior to a particular year, the contributions that reflect the 30 year amortization began with fiscal year 2010.

The actuary for the Plans uses several actuarial assumptions including the investment return rate at 7.75% (and 3.75% for Medical Subsidy Plans for GASB reporting purposes) as of the 2011 Actuarial Valuation and the wage inflation rate at 3.75%. The actuary also uses so-called "smoothing," whereby the difference between the market value of assets and the actuarial value of assets is smoothed over the previous five years to offset the effects of volatility of market values in any single year. In addition, the NHRS uses a 20% "corridor" in order to prevent the smoothed value from varying too far from market. The use of the 20% corridor means that very large gains and losses (i.e., ones that would produce a smoothed value that is more than 20% higher or lower than the actual market value) will not be presumed to be completely transitory and will be reflected immediately in funding. The use of the corridor in the 2009 actuarial valuations for the Plans lowered the actuarial value of assets that would have been established in its absence and thus raised the ARC in fiscal years 2012 and 2013.

The 2011 Actuarial Valuation includes detailed information concerning the calculation of the unfunded actuarial accrued liability ("UAAL") of the System. *Section B – Funding Results* of the 2011 Actuarial Valuation includes an analysis of the factors that caused the UAAL to increase by approximately $145.0 million as of June 30, 2012, as compared to the UAAL as of June 30, 2011. See *Experience Gain/(Loss) – June 30, 2012* on page 26 of the 2012 Actuarial Valuation for additional information.

The post-employment health benefit UAAL increased by approximately $10.2 million as of June 30, 2012 as compared to the UAAL as of June 30, 2011. This liability is separate and in addition to the State OPEB liability discussed under "HEALTH CARE COVERAGE FOR RETIRED EMPLOYEES."

Employer contribution rates depend on all of the actuarial assumptions used in determining the contribution rates. The following table sets forth a summary of certain assumptions used in the 2011 Actuarial Valuation, which contains detailed information regarding the System's funding progress, employer contribution rates and actuarial information to be used for certain accounting reporting purposes. The assumptions for the investment rate of return and rate of payroll growth were changed following the acceptance of the five year experience study to 7.75% and 3.75%, respectively. The assumptions for the investment rate of return and payroll growth used in the two prior valuations were 8.50% and 4.50%, respectively and were the assumptions used to determine the contributions required for fiscal years 2010 through 2013.

Pursuant to Chapter 224:188, Laws of 2011, on August 4, 2011, the Board of Trustees recertified the employer rates for fiscal years 2012 and 2013, effective August 1, 2011. In the recertification, as required by law, the Board took into consideration all the pension changes from Chapter 224 and used the actuarial assumptions adopted by the Board when originally setting the fiscal year 2012 and 2013 rates (8.5% assumed rate of return and 4.5% assumed wage growth) in September 2010.

New Hampshire Retirement System
Pension and Medical Subsidy Plans Assumptions

	Pension Plan	**Medical Subsidy Plans**
Actuarial Cost Method	Entry age normal	Entry age normal
Amortization Method	Level percentage of payroll, closed	Level percentage of payroll, closed
Equivalent single amortization period	30 years From 7/1/2009	*
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial Assumptions:		
Investment rate of return*	7.75%	3.75%
Projected salary increases*	4.15% to 24.55%	4.15% to 24.55%
**Includes Price Inflation at*	3.0%	3.0%
Rate of Payroll Growth	3.75%	3.75%
Valuation Health Care Trend Rate	N/A	N/A-The Medical Subsidy Plans provides a specific dollar subsidy to be used for health care. The subsidy increased 8.0% for fiscal year 2007 by statute. Effective July 1, 2008, the annual increase will be 0.0%.

* Because the Medical Subsidy Plan is effectively a pay-as-you-go benefit provided to a closed group of eligible participants, the contribution needed to fund the benefits on a pay-as-you-go basis are intended to meet or exceed the contribution that would be otherwise necessary to amortize the liability under a 30 year amortization period.

As discussed previously, Chapter 224, Laws of 2011, required the Board of Trustees to recertify the employer rates for fiscal years 2012 and 2013 applying changes adopted during the 2011 legislative session and using actuarial assumptions used by the Board when originally setting the rates in September 2010 for fiscal years 2012 and 2013. The Board recertified the employer rates effective August 1, 2011, and those recertified rates are shown below. The rates for fiscal years 2014 and 2015 were certified by the Board on September 11, 2012 following acceptance of the 2011 Actuarial Valuation on July 10, 2012, ahead of the October 1, 2012 statutory requirement.

Combined Employer Contribution Rates for Pension Plan and Medical Subsidy Plans For Fiscal Years 2011-2015 Certified by Board

	Certified				
	2011	**2012**	**2013**	**2014**	**2015**
Employees					
State	11.05%	10.08%	10.08%	12.13%	12.13%
Political Subdivisions	9.16	8.80	8.80	10.77	10.77
Teachers	10.70	11.30	11.30	14.16	14.16
Police					
State	19.51	19.95	19.95	25.40	25.40
Political Subdivisions	19.51	19.95	19.95	25.30	25.30
Fire					
State	24.69	22.89	22.89	27.85	27.85
Political Subdivisions	24.69	22.89	22.89	27.74	27.74

The following tables provide a ten year history of funded ratios based on actuarial value of assets separated for the Pension Plan and the Medical Subsidy Plans. It is important to note that assets in the Special Account are not included in these asset values. However, fiscal year 2011 legislation authorized the transfer of all but funds needed to pay the temporary supplemental annuity payment due July 1, 2012 from the Special Account to the Pension Plan. Fiscal year 2012 legislation repealed the Special Account as of July 1, 2012. The purpose of the Special Account was to fund additional benefits, such as cost of living adjustments (COLAs).

NEW HAMPSHIRE RETIREMENT SYSTEM
TEN YEAR HISTORY OF PENSION PLAN FUNDING STATUS
FISCAL YEARS 2003-2012
(All Dollar Amounts in Thousands)

Actuarial Valuation Date (June 30)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
2012	$5,817,882	$10,361,600	$4,543,719	56.1%
2011	5,740,516	9,998,251	4,257,735	57.4
2010	5,233,838	8,953,932	3,720,094	58.5
2009	4,937,320	8,475,052	3,537,732	58.3
2008	5,302,034	7,821,316	2,519,282	67.8
2007	4,862,256	7,259,715	2,397,459	67.0
2006	3,928,270	6,402,875	2,474,605	61.4
2005	3,610,800	5,991,026	2,380,226	60.3
2004	3,575,641	5,029,877	1,454,236	71.1
2003	3,500,037	4,669,192	1,169,155	75.0

Note: Liabilities for fiscal years 2007-2012 were determined under the entry age normal actuarial cost method. Liabilities for fiscal year 2006 and prior fiscal years were determined under the open group aggregate actuarial cost method. Comparisons between fiscal years 2007-2012 and prior years are not comparable.

Source: Information for fiscal years 2007 through 2012 is derived from the System's fiscal years 2010 and 2012 CAFR; information for years prior to 2007 is derived from the System's actuarial valuation for each respective year.

NEW HAMPSHIRE RETIREMENT SYSTEM
TEN YEAR HISTORY OF MEDICAL SUBSIDY PLANS FUNDING STATUS
FISCAL YEARS 2003-2012
(All Dollar Amounts in Thousands)

Actuarial Valuation Date (June 30)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
2012	$24,317	$752,759	$728,442	3.2%
2011	33,218	777,572	744,354	4.3
2010	57,818	1,033,863	976,045	5.6
2009	176,800	673,390	496,590	26.3
2008	175,187	669,874	494,687	26.2
2007	156,976	638,410	481,434	24.6
2006	445,860	986,502	540,642	45.2
2005	445,918	930,675	484,757	47.9
2004	441,936	731,021	289,085	60.5
2003	415,046	701,408	286,362	59.2

Note: $89.5 million of the asset change from fiscal year 2009 to fiscal year 2010 represents the transfer to the Special Account as part of the Plan's participation in the Voluntary Correction Program (VCP) with the IRS discussed below.

Note: Liabilities for fiscal year 2007-2012 were determined under the entry age normal actuarial cost method. Liabilities for fiscal year 2006 and prior fiscal years were determined under the open group aggregate actuarial cost method. Comparisons between fiscal years 2007-2012 and prior years are not comparable.

Source: Information for fiscal years 2007 through 2012 is derived from the System's fiscal years 2010 and 2012 CAFR; information for years prior to 2007 is derived from the System's actuarial valuation for each respective year.

Recent Changes to Pension Obligation Reporting

In June 2012, the Government Accounting Standards Board (GASB) issued GASB Statement No. 68, which sets forth new standards that will modify the accounting and financial reporting of the State's pension obligations. The new standard for governments that provide employee pension benefits will require the State to report in its statement of net position a net pension liability, defined as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries. The new standard will require immediate recognition of more pension expense than is currently required. The rate used to discount projected benefit payments to their present value will be based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met. The new standard will be effective for the State's fiscal year 2015 financial statements.

Investments

RSA 100-A:15, I, provides separate and specific authorities to the Board of Trustees and the Independent Investment Committee for the management of the funds of the Plans and charges them with exercising the judgment and care under the circumstances then prevailing, which persons of prudence, discretion and intelligence, acting in a like capacity and familiar with such matters, would use in the conduct of a pension plan of like character and with like aims of the Plans.

Fiscal year 2010 marked the first full reporting period for which the Independent Investment Committee conducted oversight and management of the investment program. Prior to January 1, 2009, the Board of Trustees served as the NHRS Investment Committee. On that date, the Independent Investment Committee assumed its responsibilities in accordance with the provisions of RSA 100-A:14-b. The Committee is responsible for investing in accordance with policies established by the Board; making recommendations to the Board regarding investment consultants, asset allocation, and other policy matters; selecting investment managers, agents, and custodial banks; and reviewing performance. The Committee, which meets monthly, is comprised of five members: three independent members appointed by the Governor and Executive Council, and two members of the Board of Trustees appointed by the Chair of the Board. All are expected to have significant experience in institutional investment or finance.

State law requires that the Independent Investment Committee provide a comprehensive annual investment report. The report for the fiscal year ended June 30, 2012 was unanimously approved and accepted by the NHRS Board of Trustees at its December 11, 2012 regular meeting and may be accessed at *http://nhrs.org/documents/NHRS_Annual_Investment_Report_FY2012.pdf* or may be obtained, upon request, from the System at the address set forth above in "Overview."

The target allocation and range for each asset class, as adopted by the Board of Trustees on September 11, 2012, are as follows:

Asset-Class	Target Allocation	Allocation Range
Domestic Equity	30%	20 – 50%
Non-U.S. Equity	20	15 – 25
Fixed Income	25	20 – 30
Real Estate	10	0 – 15
Alternative Investments	15	0 – 20

Performance returns shown below are calculated on a net-of-fees time-weighted rate of return basis.

Annualized Investment Returns

Asset Class	Percent of Assets	Periods Ending June 30, 2012			
		1-Year	3-Years	5-Years	10-Years
Total Fund	100.0%	0.9%	11.9%	1.8%	6.0%
Total Fund Custom Index		*1.7%*	*11.7%*	*2.1%*	*6.5%*
Domestic Equity	41.0%	2.0%	15.6%	-0.9%	4.5%
Domestic Equity Blended Benchmark (1)		*3.8%*	*16.7%*	*0.4%*	*5.8%*
Non-US Equity	19.5%	-12.7%	9.6%	-2.7%	6.1%
Non-US Equity Blended Benchmark (1)		*-14.6%*	*7.0%*	*-4.6%*	*6.5%*
Fixed Income	27.4%	7.6%	9.7%	8.3%	7.5%
Fixed Income Blended Benchmark (1)		*7.4%*	*7.6%*	*6.8%*	*6.1%*
Real Estate	9.0%	10.7%	9.0%	-0.9%	9.0%
Real Estate Blended Benchmark (1)		*12.6%*	*9.4%*	*2.9%*	*8.5%*
Alternative Investments	2.5%	1.6%	6.5%	-5.6%	-1.5%
Alternative Investments Blended Benchmark (1)		*9.8%*	*8.3%*	*7.7%*	*7.8%*
Cash	0.5%	0.1%	0.1%	1.0%	2.0%
90 Day Treasury Bills		*0.0%*	*0.1%*	*0.7%*	*1.7%*

[1] In a dynamic market, strategies and objectives evolve over time. Consequently, these benchmarks are blended due to historical investment strategy decisions. Detailed descriptions of the benchmarks above are available by contacting NHRS.

Ten Year History Actuarial Value vs. Market Value of Assets

The Actuarial (Funding) Value of Assets recognizes assumed investment income fully each year. Differences between actual and assumed investment income are phased in over a closed five-year period. During periods when investment performance exceeds the assumed rate, Funding Value of Assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, Funding Value of Assets will tend to be greater than market value. The Funding Value of Assets is unbiased with respect to Market Value. At any time it may be either greater or less than Market Value. If assumed rates are exactly realized for four consecutive years, it will become equal to Market Value. Final Funding Value of Assets may not be less than 80% nor more than 120% of Market Value of Assets.

The table below presents a ten year history of actuarial rates of return and asset values to the market rates of return and asset values. The actuarial rate of return for each of the fiscal years prior to 2007 was calculated looking at the initial asset value, which is determined using a five year moving average method. Each year's initial value was then compared to the book value and market value for that year and the middle value was used to compute rates, provided that the middle value was not less than the five year average. For fiscal years after 2006, assets were valued on a market-related basis that recognizes each year's difference between actual and assumed investment return over a closed five year period.

The asset values presented below include all assets in the NHRS Plan Trust, including the Special Account assets that are available pursuant to RSA 100-A:16, II(h) to provide additional benefits such as cost-of-living adjustments. The Special Account assets are used in determining actuarial and market rates of return and the Special Account is appropriately credited with earnings. However, the Special Account assets are not used in calculating the funded ratios of the Pension and Medical Subsidy Plans because those assets are not available to pay the corresponding liabilities. According, Special Account assets are not included in the Ten-Year Funding Status tables found in the "Results of Actuarial Valuation" section.

New Hampshire Retirement System
Actuarial Value vs. Market Value
Fiscal Years 2003 to 2012

Fiscal Year	**Actuarial Rate of Return** (Per Actuarial Valuation Reports)	**Actuarial Value of Assets** (in thousands)	**Market Value Rate of Return** (NHRS CAFRs)	**Market Value of Assets** (in thousands)
2012	3.22%	$5,846,570	0.9%	$5,774,343
2011	6.90	5,798,249	23.0	5,891,179
2010	6.48	5,569,341	12.9	4,898,339
2009	-3.87	5,353,453	-18.1	4,461,211
2008	9.52	5,701,579	-4.6	5,597,047
2007	12.85	5,272,358	16.0	5,967,916
2006	9.27	4,647,973	10.0	5,112,256
2005	1.25	4,322,614	10.1	4,728,590
2004	1.85	4,339,537	14.9	4,391,286
2003	1.92	4,323,936	2.5	3,901,681

Current Market Conditions

Since June 30, 2008, the liquidity crisis in the credit, housing and mortgage markets blossomed into a global economic crisis of significant proportions. Both U.S. and global investment markets experienced significant declines since June 30, 2008. For the fiscal year ended June 30, 2009, the System's total fund investment return declined 18.1% and net assets available for benefits declined $1,135.8 million to $4,461.2 million. Investment results since June 30, 2009 have improved, and as a result of that improvement, the market value of net assets available for benefits have recovered to $5.8 billion as of June 30, 2012. (It should be noted that future contributions to the

System will be based upon the actuarial value of the System's assets, not market value, and such actuarial values will differ from market value.) The System's investments returned 12.9% for the year ended June 30, 2010. Based on the System's current asset allocations and market index returns over the same period, the System's investment returns are consistent with investment market returns. For the twelve months ending June 30, 2011, the System's total fund investment return (at market) was 23%. The actuarial rate of return for the year ended June 30, 2011 was 6.9%, which resulted in recognition of an actuarial loss. For the twelve months ending June 30, 2012, the System's total fund investment return (at market) was 0.9%. The actuarial rate of return for the year ended June 30, 2012 was 3.22%, which resulted in recognition of an actuarial loss. For the six months ending December 31, 2012, the investment return for the total fund was 7.3%. For the eight months ending February 28, 2013, the investment return for the marketable assets, approximately 90% of System assets, was 12.1%. The System is a long-term investor. No prediction can be made of the short-term or long-term investment prospects for the System's investment portfolio. The System's net assets were valued at $6.085 billion as of December 31, 2012.

Medical Subsidy Plans

The four Medical Subsidy Plans provide an offset or subsidy for retiree health premiums for a closed group of eligible participants. By law, all retirees must be provided the option to obtain retiree health benefits through their former employer's medical plan. However, the employer is not required to provide any funding for that benefit. For those eligible retirees who elect to receive health benefits through a former employer, the subsidy offsets the cost of the health benefits for the retiree, the employer or both. The State, as an employer, funds the vast majority of costs related to retiree health, therefore the medical subsidy from the Retirement System flows back to the State. (See HEALTH CARE COVERAGE FOR RETIRED EMPLOYEES). The Medical Subsidy Plans are effectively pay-as-you-go plans and will remain so. Under current law, the cash outflow necessary to make benefit payments will continue until all benefits are paid. Effective July 1, 2011, Chapter 224, Laws of 2011 caps the maximum benefit payable and states that the subsidy amount not be increased, however all legislative provisions are subject to amendment or modification, within constitutional limits.

As required for its fiscal year 2007 implementation of GASB Statement No. 43, the System conducted an actuarial valuation dated June 30, 2007 of its Medical Subsidy Plans. As part of implementing GASB Statement No. 43, the System underwent a compliance review of its medical subsidy program. The compliance review made multiple recommendations that were unanimously adopted by the System's Board of Trustees in November 2007. These recommendations included: (1) seeking IRS approval to correct a series of transfers that occurred from fiscal years 1990 through 2000 by participating in the IRS Voluntary Correction Program (VCP) (if approved, by the IRS a transfer of at least $26.4 million would be made from the 401(h) medical subtrust to the pension reserve); (2) seeking ratification by corrective State legislation of the 33-1/3% employer contributions that were made and prospectively abide by the 25% statutory limitation; (3) eliminating the financial reporting of the $295 million Medical Special Account as part of the postemployment health benefit plans and reporting the $295 million as Pension Plan assets; and (4) establishing the appropriate subtrusts in the 401(h) account and reconstructing the accounting for those subtrusts as determined by legal counsel to be the Medical Subsidy Plans administered by the System. In addition, correcting a $17.7 million shortfall in the State Employee Group Medical Subsidy Plans that has been subsidized by contributions from the Political Subdivision Medical Subsidy Plans as more fully described in the next paragraph. All four of these items have been appropriately corrected.

On September 1, 2010, the System received a Compliance Statement from the Internal Revenue Service (IRS) in regards to its VCP filing of April 2, 2008. In that filing, the System identified plan document or operational failures that the System recommended needed to be corrected to ensure compliance with New Hampshire RSA 100-A and IRS regulations. The IRS Compliance Statement agreed with the corrective steps recommended by the System. Those failures and the corrective steps that have been taken are as follows:

- Correct a series of seven plan document failures where the System failed to timely adopt provisions to comply with certain requirements of the IRS code. The affected provisions covered minimum vesting standards, treatment of forfeitures, required minimum distributions, specified factors for actuarial equivalence, eligible rollover distributions, updated requirements for annual benefit limitations and updated requirements for annual addition limitations and definition of compensation. At its June 2011 meeting, the Board adopted policies correcting the plan document failure.

- From fiscal year 1990 through fiscal year 2000, $26.4 million was transferred from Special Account pension assets to the System's 401(h) medical subtrust. Pursuant to RSA 100-A:16, II(h), the Special Account is established to provide funding for additional benefits such as cost-of living adjustments. The funding for the Special Account was provided from earnings over a target rate that exceeded the assumed rate of return. When the Medical Subsidy Plans were originally enacted, the intent was to ultimately fund the benefit from the Special Account using a series of transfers. Specific transfers were made to fund a health subsidy for certain pre-July 1, 1988 police officer and firefighter retirees. This transfer was not permissible under Internal Revenue Code Sections 401(h) and 420. The System has corrected this operational failure and that correction is reflected in the System's fiscal year 2010 financial statements. A total transfer of $89.5 million is reflected in the fiscal year 2010 financial statements as a net asset transfer from the Police Officer and Firefighter 401(h) subtrust to the Special Account. The $89.5 million transfer consists of the original $26.4 million transfer plus interest of $63.1 million from July 1, 1989 to June 30, 2010. The Special Account had a balance of $239.1 million at June 30, 2010. Additional information pertaining to the Special Account can be found in Note 6 of the 2010 System CAFR. Pursuant to Chapter 224, Laws of 2011, effective June 30, 2011, all assets in the Special Account are transferred to the main account of the pension trust, except for a holdback of approximately $20 million to fund legislatively approved temporary supplemental benefit allowances for political subdivision employees receiving medical subsidy benefits. Legislation was passed in 2012 that repealed the Special Account effective July 1, 2012. Although State statutes provided that 25% of employer contributions be credited to the 401(h) subtrust, for the time period fiscal year 2001 through fiscal year 2007, 33 1/3% of employer contributions were actually credited to the 401(h) subtrust. Failure to follow the terms of the plan document (in this case the State statutes) was considered to be an "operational failure" under IRS Revenue Procedure 2006-27. This operational failure was corrected in fiscal year 2007 through legislation that ratified the 33 1/3% contributed during fiscal years 2001-2007.

- The System will amend the plan documents to affirmatively state that effective as of July 1, 1989, the System will determine the amount of any benefit that is determined on the basis of actuarial assumptions by using the assumptions adopted by the Board of Trustees and also state that such benefits will not be subject to employer discretion. For benefits on or after July 1, 2007, the actuarial assumptions used will be those included in the proposed plan amendments. At its June 2011 meeting, the Board adopted policies correcting the plan document failure.

- The System received a favorable tax determination letter from the IRS dated March 9, 2011 in response to the Voluntary Correction Program filing from April 2008. To comply with GASB Statement No. 43, the System received opinions from its legal counsel about the statutory construction of the Medical Subsidy Plans. Counsel concluded the System administers four such plans: (1) Group II covering law enforcement and fire safety employees, (2) Teachers, (3) Employees of Political Subdivisions and (4) Employees of the State. These opinions resulted in a shift in the way the Medical Subsidy Plans have been defined, accounted for and valued since inception. In the course of restructuring the accounting in accordance with GASB Statement No. 43, it became apparent that contributions to the Political Subdivision Employee Group plan have subsidized medical benefits paid for the State Employee Group by approximately $17.5 million, including interest, since inception.

In fiscal year 2009, legislation was enacted that required the System, beginning July 1, 2009, to certify employer contribution rates, due and payable by the State, based upon a State Employee Medical Subsidy Plan balance of $0.00. Furthermore, the legislation stated that the Board of Trustees could not certify State employer contributions rates in any subsequent fiscal year based on any payments made from the State Employee Medical Subsidy Plans prior to July 1, 2009.

Based on the 2009 legislation, and upon advice of legal counsel, the Board voted on September 14, 2010 to write off the State Employee Medical Subsidy Plans fund balance of $17.5 million effective June 30, 2010 and to disclose that action in the fiscal year 2010 annual financial report. On that same date, the Board also voted to rescind its April 8, 2008 vote to seek repayment from the State.

As a result of these actions, the System has written off the State Employee Medical Subsidy Plans deficit as of June 30, 2010 of $17.5 million and established a balance as of that same date of $0.00. The fund balance for the Political Subdivision Employee Medical Subsidy Plans was also reduced by $17.5 million to $34 million as of June 30, 2010.

The significant changes to the System's financial statements resulting from the medical subsidy compliance review delayed issuance of the System's fiscal 2007 audited financial statements until September 2008. The System issued timely financial statements for fiscal years 2008 through 2011 with unqualified auditor's opinions. Such financial statements and the report of the System's independent auditors with respect thereto can be found at *http://nhrs.org/investments/reports.aspx*.

Legislative Activity

The State has enacted various legislative changes in recent years in order to address certain issues pertaining to the System, including, among other matters, the level of benefits to be received by retirees and the contributions required to be made by employers and employees.

Certain of the legislative changes are being challenged in court, as described above, and it is possible that additional litigation will be brought in the future. The State cannot now predict the outcome of any of these matters.

The 2012 legislative session included, but was not limited to, legislation that:

- Modifies the calculation of Average Final Compensation (AFC) for members not vested prior to January 1, 2012, by changing the "compensation over base pay" factor used in the AFC formula from a dollar average to a percentage average.
- Clarifies the date from which NHRS must begin calculating a 7-year average of Extra or Special Duty Pay (ESOP) for Group II (Police and Fire) members vested prior to January 1, 2012. This change excludes from the calculation any months prior to July 1, 2009, which is when ESDP began to be separately reported to NHRS.
- Clarifies the number of years of creditable service Group II (Police and Fire) members in service prior to July 1, 2011, but not vested prior to January 1, 2012, must have in order to qualify for the supplemental disability benefit available to eligible Accidental Disability retirees.
- Changes the annual effective date of changes to the member interest rate from a fiscal year to a calendar year.
- Clarifies the definition of "compensation over base pay" for members not vested prior to January 1, 2012.
- Clarifies that the maximum benefit limit for members hired before July 1, 2009, is 100 percent of Earnable Compensation and the maximum benefit limit for members hired after that date, and not vested by January 1, 2012, is the lesser of 85 percent of AFC or $120,000 per year.
- Modifies the definition of "part-time" for NHRS retirees employed by NHRS-participating employers.
- Changes the date by which NHRS Trustees must approve the retirement system's Comprehensive Annual Financial Report from December 1 to December 31 of each year.
- Repeals RSA 100-A:53, II; RSA 100-A:53-e, II; RSA 100-A:16, II(h); and RSA 100-A:16, II(j), relative to the Special Account.
- Repeals RSA 100-A:16, III-a, commonly known as the employer "spiking" assessment.

A detailed discussion of legislative activity for the 2011 and 2012 legislative sessions can be found in Note 5 of the 2012 System CAFR.

Significant legislative changes were enacted during the 2011 legislative session. Sections 160 through 191 of Chapter 224, Laws of 2011 make significant changes to the System as discussed previously in this document. These changes include, but are not limited to:

- Elimination of the State sharing in funding local employee contributions.
- Increases to member contribution requirements.
- Requires the Board to recertify employer contribution rates for fiscal years 2012 and 2013 to reflect approved legislative changes.
- Changes to the definition of earnable compensation for members not vested prior to January 1, 2012.
- Changes to average final compensation for members not vested prior to January 1, 2012.
- Changes to retirement eligibility for members not vested prior to January 1, 2012.
- Changes to medical subsidy provided under current statute.
- A transfer of funds from the Special Account to the main trust.
- A change to temporary supplemental allowances.
- Changes to the maximum benefit for members hired on or after July 1, 2009.
- Changes to interest credited on member contributions.
- Substantial changes to the makeup of the NHRS Board of Trustees

HEALTH CARE COVERAGE FOR RETIRED EMPLOYEES

The next actuarial valuation is expected to be dated as of December 31, 2012 and issued in June 2013. The State cannot now predict whether such valuation will result in an increase or decrease in the UAAL as compared to the most recent valuation.

LITIGATION

The following information supplements the matters indicated below since the date of the Information Statement:

Chase Home et al v. Division of Children, Youth and Families (DCYF). HB 486-FN was introduced in 2013 to appropriate the funds to pay the judgment and at this time has passed the House and is in the Senate. $2.7 million was accrued for the judgment and is reflected as a liability in the State's fiscal year 2012 financial statements.

State of New Hampshire v. Phillip Morris USA, RJ Reynolds, Inc. and Lorillard Tobacco Company. New Hampshire's hearing, scheduled for November, 2012, was postponed. Since that time, some states, including New Hampshire, have joined in a settlement agreement which has been submitted to the New Hampshire Legislature and was approved in March 2013. It is not possible to predict the outcome of the case at this time.

Cloutier v. State and Judicial Retirement System. The State obtained an expert witness who reviewed the expert reports. The Judicial Board disclosed a supplemental expert report in January 2013, and Petitioners disclosed a supplemental expert report in February 2013. All parties are expected to file motions for summary judgment on April 19, 2013.

Woodland Management Associates, LLC and The Lyme Timber Co. v. State of New Hampshire. In February 2013, this case settled with Petitioners paying DRA $1,350,000 to resolve all tax years in dispute.

Leighton, et al v. State of New Hampshire. The court granted the State's motion for summary judgment, and Plaintiffs have appealed to the Supreme Court. It is not possible to predict the outcome of the case at this time.

K. Frisselle v. DCYF., et al. In December 2012, the parties settled this matter with the State paying $100,000 and Easter Seals paying $150,000.

Anderson v. Lagos. Petitioners were allowed to submit a memorandum of law to which the State responded. A second hearing was held and the Superior Court denied the request for a temporary injunction. It is not possible to predict the outcome of the case at this time.

Dartmouth Hitchcock, et al v. Toumpas. Prior to December 20, 2012 CMS approved several State Plan Amendments (SPAs), including 2010 SPAs that memorialized the 2008 rate reductions and several of the other issues raised by the plaintiffs. Given the SPA approvals, there was a verbal request to renew the motion to dismiss at the December 20, 2012 hearing. The plaintiffs argued that there was still an outstanding issue regarding use of the 2008 rates prior to the effective date of the SPA approvals and the court set a schedule for further briefing on that issue. Rather than submit any further briefing, the plaintiffs filed a motion to stay the action and at the same time filed a request to reconsider the SPA approval to CMS. In the meantime, on March 13, 2013 CMS approved the 2011 SPAs containing the remaining changes that relate to the reductions in DSH for the last biennium. Notice of those approvals has been filed with the court. The court has not made a determination on the motion to stay at this time. It is not possible to predict the outcome of the case at this time.

United States Department of Justice's Investigation of the State's Mental Health Services Delivery System. The case is now in the class certification and discovery phases. Motions and objections to class certification were filed in January 2013 and March 2013 and a decision is expected by June 2013. Trial is scheduled for June 2014. It is not possible to predict the outcome of this matter at this time.

K. et al v. DHHS, et al. Defendants' motion for summary judgment was granted on November 14, 2012. There has been no appeal; therefore this matter is concluded.

Catholic Medical Center et al v. DRA. A status conference will occur on May 1, 2013, at which time the parties will either file an agreed statement of facts or request a further status conference with the court. The Northeast Rehab case is still separate but the parties in that case have also agreed to draft an agreed stipulation of facts and litigate the case through cross-motions for summary judgment. It is not possible to predict the outcome of these cases at this time.

Geovanny Delamota v. William Wrenn, et al. This case settled in November 2012 with the State paying $210,000 to the plaintiff.

Estate of Michele Walker, et al v. Administrative Office of the Courts, et al. Trial is scheduled for July 2013. It is not possible to predict the outcome of this case at this time.

Gary Dube et al. v. State of New Hampshire. On August 31, 2012, the plaintiffs filed a motion for voluntary non-suit without prejudice of the remaining claims. That motion was granted and the plaintiffs filed an appeal of the issues decided in the two motions for summary judgment. Briefs are scheduled to be filed in April and late May 2013. It is not possible to predict the outcome of this case at this time.

Woods, et al. v. Commissioner of Department of Corrections. The State filed an answer on November 2, 2012. Petitioners filed a motion for class certification in February 2013. The State's objection is due in March 2013. Due to the fact that the Governor's capital budget request for FY 2014-2015 contains a specific line item for funding the construction of a new women's prison, the parties have agreed to stay the case after the filing of the State's objection to the motion for class certification. It is not possible to predict the outcome of this case at this time.

Aranosian Oil Co., et al. v. State. Petitioner filed a motion to lift the stay based upon a number of settlements in the MTBE case. However, it appears that the motion will not be addressed until after the jury has returned a verdict in *State v. Hess*. It is not possible to predict the outcome of this case at this time.

White Mountain Communications Co. v. New Hampshire Department of Administrative Services, et al. This matter is stayed pending the outcome of an administrative appeal that White Mountain has filed challenging the termination of the contract. It is not possible to predict the outcome of this case at this time.

The following are new matters since the date of the Information Statement:

Law Warehouses, Inc. v. New Hampshire State Liquor Commission. Law Warehouses Inc. ("LWI") has provided warehousing services to the New Hampshire State Liquor Commission ("NHSLC"). The parties' current contract ends on October 31, 2013. In March 2012, the NHSLC issued a Request for Proposals (RFP) requesting bids for a 20-year warehousing services contract to begin upon the expiration of its current contract with LWI. In June 2012, LWI and four other vendors submitted bids under the RFP. On November 20, 2012, following a thorough review of each bid, the NHSLC awarded the warehousing contract to Exel, Inc. ("Exel"). LWI finished third under the NHSLC's bid scoring system. LWI did not participate in the protest process outlined in the RFP, but instead, on February 27, 2013, filed a civil action requesting that the court preliminarily enjoin performance of the contract between the NHSLC and Exel and order that a new bidding process take place. LWI contends that the NHSLC improperly modified the RFP in favor of Exel's bid in violation of New Hampshire's competitive bidding laws. The NHSLC has filed a motion to dismiss for improper venue. The order on the motion to dismiss is pending. The NHSLC has also filed an objection to LWI's request for a preliminary injunction. On March 27, 2013, the Court will hold a structuring conference and establish a timeframe for the litigation. It is not possible to predict the outcome of this case at this time.

XTL-NH, Inc. v. New Hampshire State Liquor Commission and Exel Inc. In March 2012, the NHSLC issued an RFP requesting bids for a 20-year warehousing services contract. In June 2012, XTL-NH, Inc. ("XTL") and four other vendors submitted bids under the RFP. On November 20, 2012, following a thorough review of each bid, the NHSLC awarded the warehousing contract to Exel, Inc. ("Exel"). XTL finished second under the NHSLC's bid scoring system. XTL participated in the two-level protest process outlined in the RFP. On March 8, 2013, the NHSLC denied XTL's protest. On March 12, 2013, XTL filed a civil action requesting that the Court enjoin performance of the contract between NHSLC and Exel and order the NHSLC to award the contract to XTL. XTL contends that as the lowest responsible bidder, it is entitled to the contract. Further, XTL argues that NHSLC improperly modified the RFP to favor Exel's bid in violation of New Hampshire's competitive bidding laws. The court has scheduled a hearing on the request for an injunction on April 11, 2013. It is not possible to predict the outcome of this case at this time.

TLT Construction Corp. In late May 2012, the Bureau of Public Works (BPW) terminated TLT Construction Corp. (TLT) on a $24 million contract for a construction project for the construction of the Pembroke Regional Training Institute and Barracks of the N.H. Army National Guard. DOJ has retained Stan Martin from Duane Morris LLP as its outside counsel. TLT has filed administrative appeals of the termination with the Department of Administrative Services and the Department of Transportation, but those matters have been stayed pending negotiations to resolve the dispute. TLT has threatened litigation, and as claimed that subcontractors have threatened litigation, but other than the administrative appeals referenced above, no formal lawsuits have been filed. It is not possible to predict the outcome of this matter at this time.

FINANCIAL STATEMENTS

Fiscal Year 2012. The State received an unqualified auditor's opinion on its financial statements for the fiscal year ended June 30, 2012. These statements were distributed on December 31, 2012 in compliance with legally mandated filing requirements. The State's financial statements for the fiscal year ended June 30, 2012 and the report of the State's independent auditors with respect thereto have been filed with the Municipal Securities

Rulemaking Board under Securities and Exchange Commission Rule 15c2-12. The audited financial statements can be viewed in their entirety at *http://admin.state.nh.us/accounting/annual_financial_reports.asp*.

The fiscal year 2012 management letter from KPMG LLP ("KPMG"), the State's independent auditor, is not yet publicly available. Based on discussions with the State's external auditors during their audit of the State's fiscal year 2012 financial statements, the State is likely to receive a material weakness finding related to accounting and reporting of capital assets by the Department of Transportation (DOT). During fiscal year 2012, DOT underwent an extensive internal process to update its capital assets accounting and reporting. Numerous errors made to capital asset records in prior years were detected and corrected, which will likely lead to a finding in the final management letter, which letter is expected to be released in April 2013. DOT has now implemented new procedures intended to address this matter.

KPMG LLP, the State's independent auditor, has not been engaged to perform and has not performed, since the date of its report referenced herein, any procedures on the financial statements addressed in that report. KPMG LLP has also not performed any procedures relating to this Supplement.

March 27, 2013

THE STATE OF NEW HAMPSHIRE