



# **The State of New Hampshire**

## **Annual Report of the State Treasury**

**As of and for the  
FISCAL YEAR ENDED JUNE 30, 2011**

**Catherine A. Provencher  
State Treasurer  
Concord, New Hampshire  
2011**

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**Catherine A. Provencher**  
STATE TREASURER



**THE STATE OF NEW HAMPSHIRE  
STATE TREASURY**

25 CAPITOL STREET, ROOM 121  
CONCORD, NH 03301  
(603) 271-2621  
FAX (603) 271-3922  
EMAIL: [cprovencher@treasury.state.nh.us](mailto:cprovencher@treasury.state.nh.us)  
TDD Access: Relay NH 1-800-735-2964

September 30, 2011

To His Excellency the Governor and the Honorable Council:

Pursuant to, RSA 6:17, RSA 6:43, RSA 11:5-b and RSA 20:7, I am pleased to submit the Annual Report of the State Treasury, as of and for the fiscal year ended June 30, 2011 for your approval.

The New Hampshire Treasury is charged with executing a variety of financial management tasks. Among those responsibilities, the Treasury performs internal bank and investment management functions for the State's funds; issues the State's general obligation and revenue bonds and other debt and, pursuant to RSA 471-C, is responsible for acquiring and returning to owners all financial property that qualifies as abandoned property under the law. The Treasurer is also a member of various boards and commissions and acts as trustee and custodian of various State funds.

Please note that all the information contained in this report is unaudited and subject to change pending the audit of the State's Comprehensive Annual Financial Report.

The staff of the Treasury and I personally look forward to the challenges of the next fiscal year as we continually strive to improve the wide range of financial management services we provide to the residents of New Hampshire and to all branches of State government.

Respectfully submitted,

Catherine A. Provencher  
State Treasurer



**STATE OF NEW HAMPSHIRE  
SELECTED STATE OFFICIALS**

**GOVERNOR**

John H. Lynch

**EXECUTIVE COUNCIL**

Raymond S. Burton, District 1  
Daniel St. Hilaire, District 2  
Christopher T. Sununu, District 3  
Raymond J. Wieczorek, District 4  
David K. Wheeler, District 5

**SECRETARY OF STATE**

William M. Gardner

**ATTORNEY GENERAL**

Michael A. Delaney

**COMMISSIONER OF ADMINISTRATIVE SERVICES**

Linda M. Hodgdon

**STATE TREASURER**

Catherine A. Provencher

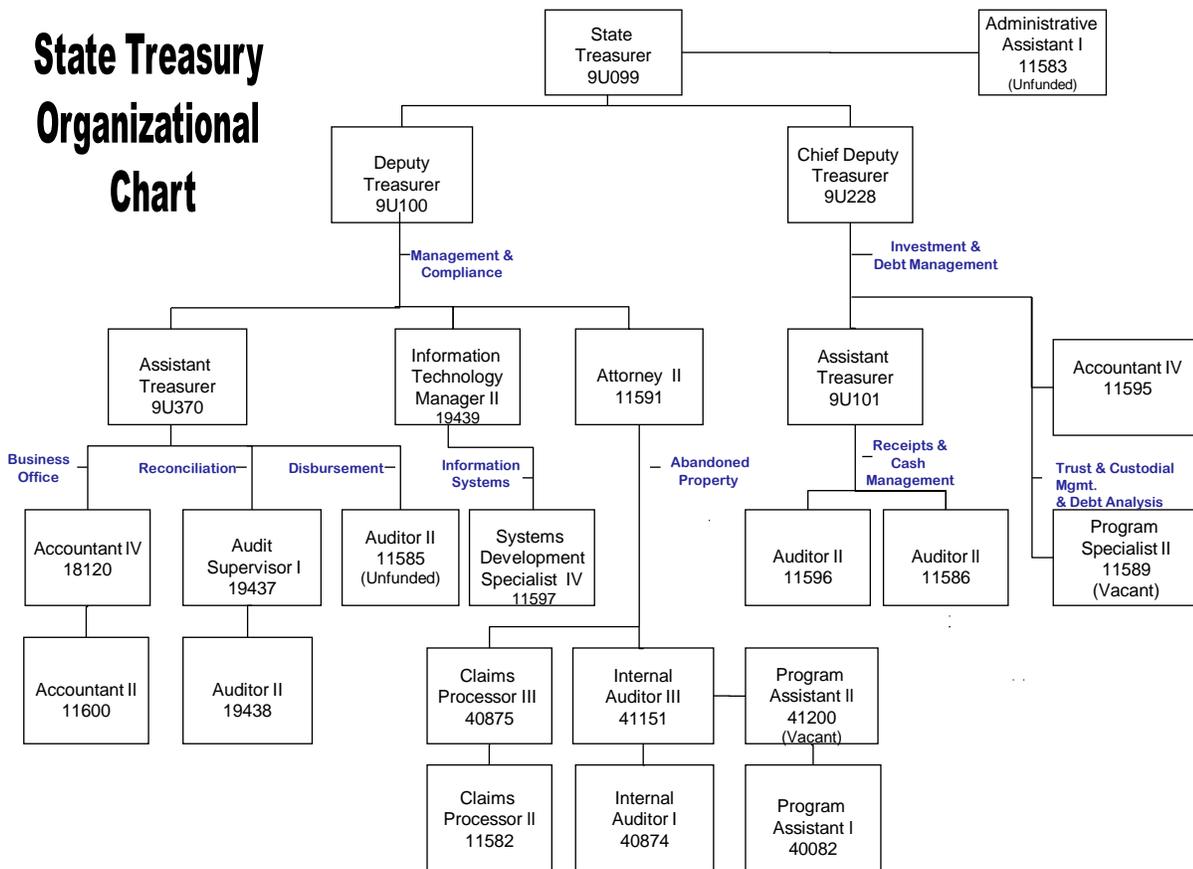
**OVERVIEW OF THE TREASURY**

Part 2; Article 67 of the New Hampshire Constitution establishes the position of the Treasurer of the State of New Hampshire. In accordance with the Constitution, the Treasurer is elected by a joint session of the Senate and the House of Representatives (the General Court). This election takes place on the first Wednesday of December following the biennial election when the newly elected General Court meets for organizational purposes.

The State Treasury is responsible for a variety of financial management activities including cash and investment management, debt management, and the unclaimed and abandoned property program. The Treasurer is a member of many boards and commissions including but not limited to the New Hampshire Retirement System, the New Hampshire Municipal Bond Bank, the New Hampshire Business Finance Authority, the Nuclear Decommissioning Finance Committee and the College Tuition Savings Plan Advisory Commission. The Treasurer is also the trustee of, or has administrative responsibilities for many trust, custodial, escrow and other funds.

The authorized staffing of the Treasury for the 2010/2011 biennium is 24 positions, however two of these positions were vacant and two positions are unfunded due to budget constraints and have been eliminated pursuant to the fiscal year 2012/2013 budget period. The organizational chart below illustrates the authorized positions for each functional area as of June 30, 2011.

**State Treasury  
Organizational  
Chart**



June 30, 2011

## **CASH MANAGEMENT**

The Treasury is responsible for a broad array of cash management activities related to its role as the State's "bank". It is the Treasury's responsibility to have the right amount of cash, when and where needed to finance the operating and capital budgets. This responsibility is accomplished in several ways including cash flow forecasting, collecting and concentrating funds, making disbursements, and investing available daily cash balances.

In fiscal year 2011, the Treasury managed over \$5.6 billion in receipts and approximately \$5.5 billion in disbursements. A list of receipts and disbursements for the past three fiscal years follows:

### **COMPARATIVE STATEMENT OF RECEIPTS AND DISBURSEMENTS**

(Unaudited)

	For the Year Ended June 30		
	<u>2011</u>	<u>2010*</u>	<u>2009</u>
<b>BEGINNING BALANCE</b>	\$ 604,671,539	\$ 357,858,295	\$ 545,664,611
<b>TOTAL RECEIPTS</b>	5,602,341,952	5,803,413,747	5,094,045,637
<b>TOTAL DISBURSEMENTS</b>	(5,551,037,878)	(5,556,600,503)	(5,281,851,953)
<b>ENDING BALANCE</b>	<u>\$ 655,975,613</u>	<u>\$ 604,671,539</u>	<u>\$ 357,858,295</u>

\*Revised to include extended accounting cycle for fiscal year-end and to apply consistency in methodology used in the current fiscal year and going forward.

## **TRUST AND AGENCY ACCOUNTS**

Pursuant to RSA 11:1, the State Treasurer acts as the custodian of "...all trust funds left to and accepted by the state..." As of June 30, 2011, the fair market value of the forty-nine (49) trust and agency funds was approximately \$62 million, with a maximum individual fund value of over \$19.7 million and investment objectives ranging from short-term liquidity to maximum capital gain.

These funds originated from a variety of sources and serve a wide array of beneficiaries. A list of these trust and agency funds, along with activity and balances for fiscal year 2011, is included in this report as Exhibit 1.

## **DEBT MANAGEMENT**

### **General Obligation Bonds**

General obligation debt is paid from the State's taxes and other revenues. As of June 30, 2011 total outstanding general obligation debt was \$939 million. Approximately 80% of this debt will be repaid from the general fund while the remaining balance is paid from a variety of dedicated user fees and fines.

The State issued \$45,035,000 General Obligation Refunding Bonds, 2010 Series B (the "2010 Series B Refunding Bonds") on July 27, 2010 for the current and advanced refunding of general obligation debt of the State maturing in fiscal year 2011. The 2010 Series B Refunding Bonds were issued in order to produce budgetary savings in fiscal year 2011 as part of the State's overall plan to balance its budget for fiscal year 2011 and did not result in any present value savings to the State.

On September 2, 2010, the State issued \$150,000,000 General Obligation Capital Improvement Bonds, 2010 Series B and 2010 Series C (the "Capital Improvement Bonds") through a competitive sale. Structured to amortize \$150,000,000 in total over twenty years with 60 % of total principal paid in the first ten years, the sale was a combination of \$90,000,000 million in tax-exempt bonds and \$60,000,000 million in taxable Build America Bonds with maturities ranging from 2012 to 2030. Build America Bonds were created through the American Recovery and Reinvestment Act of 2009 to provide a stimulatory effect in the municipal market whereby investors receive taxable (higher) yields and the issuer receives an interest subsidy of 35% from the federal government. The sale resulted in an overall true-interest-cost of 2.997% with an average coupon of 4.37%,

The Capital Improvement Bonds were issued to finance various capital projects of the State and to refund \$50,000,000 of bond anticipation notes of the State at maturity on September 9, 2010. The state issues bond anticipation notes from time to time to meet capital funding requirements throughout the year in advance of issuing general obligation bonds when operating cash levels are strained. The proceeds are deposited into the capital fund. At June 30, 2011, the State had no short term notes outstanding.

### **Federal Highway Grant Anticipation Bonds**

The State also issued \$80,000,000 Federal Highway Grant Anticipation Bonds, 2010 Series A and 2010 Series B (the "2010 GARVEE Bonds") on November 18, 2010 with maturities ranging from 2020 to 2025. The GARVEE bonds were issued to provide funding to a multi-year highway expansion project to a portion of U.S. Interstate 93 between Salem and Manchester. The 2010 GARVEE Bonds are payable solely through federal aid for highways and other grants, loans and contributions from eligible federal highway funds and thus do not constitute general obligations of the State. Sold through a negotiated sale to provide marketing expertise and broad exposure with a relatively new type of bond with unique features, the sale resulted in an overall true interest cost of 2.69% with an average coupon on 4.58%.

### **Turnpike System Bonds**

In addition to coordinating the issuance of general obligation debt, the Treasury issues capital

improvement revenue and refunding bonds for the Turnpike System. These bonds are repaid solely from the revenues (tolls) collected throughout the Turnpike System. Total outstanding debt (principal only) of the Turnpike System as of June 30, 2011 was \$360.7 million, as reflected in the following table. The remaining general obligation debt of the Turnpike System matured in fiscal year 2011. As of June 30, 2011 the Turnpike System had no general obligation debt outstanding.

**STATE GUARANTEED DEBT**

The State is contingently liable for certain municipal government debt issues for water pollution control bonds, school building, and landfill bonds up to statutory limits. The State also provides certain guarantees for the debt issued by the Pease Development Authority and the Business Finance Authority. There are statutory limitations on these contingent debt guarantees:

1. The limit may be either on the total amount guaranteed or on the total amount guaranteed that remains outstanding at any time; the latter is a revolving limit, allowing additional guarantees to be awarded as guaranteed debt is retired.
2. The statutory dollar limit may represent either the total amount of principal and interest or only the total amount of principal that may be guaranteed; in the latter case interest on that principal amount may also be guaranteed but is not otherwise specifically limited.

Issuance of new debt with a State guarantee requires the approval of the Governor and Executive Council.

As of June 30, 2011 the remaining unused guarantee authorizations under the various statutory limitations were:

<u>Purpose</u>	<u>Guarantee Limit</u>	<u>Remaining Capacity</u>
Water Pollution and Waste Control Bonds	\$ 50.0 million <sup>(1)(2)</sup>	\$ 45.3 million
School Building Authority Bonds	\$ 95.0 million <sup>(1)(2)</sup>	\$ 37.0 million
Superfund Site Bonds	\$ 20.0 million	\$ 20.0 million
Landfill and Waste Site Bonds	\$ 10.0 million <sup>(1)(2)</sup>	\$ 9.9 million
Business Finance Authority Bonds	\$ 95.0 million <sup>(1)</sup>	\$ 28.1 million
Pease Development Authority Bonds	\$ 105.0 million	\$ 48.9 million
Division of Water Resources – Repealed	\$ 0.0 million	\$ 5.0 million
Housing Finance Authority		
Child Care Loans	\$ 0.3 million <sup>(1)</sup>	\$ 0.3 million

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(1) Revolving limit  
 (2) Limit applies to total principal and interest.

Chapter 144, Laws of 2009, increased the State guarantee for School Bonds to \$95 million, effective July 1, 2009. In accordance with RSA 195-C:2 and as recommended by the School

Building Authority and approved by the Governor and Executive Council, the State guaranteed \$51.6 million (principal and interest) of General Obligation Qualified School Construction Bonds issued by five school districts as of June 30, 2010. These bonds are federally taxable bonds created through the American Recovery and Reinvestment Act of 2009 and issued by school districts for facility construction and/or renovation or for the purchase of land upon which a facility will be built.

The State also has an exposure for debt issued by municipalities through the Municipal Bond Bank. If any municipality that has issued through the Bond Bank fails to make scheduled debt payments and escrowed funds are not sufficient to cover missed payments, then the Bond Bank may ask the legislature for non-appropriated funds to cover any shortfall. While this exposure exists, the level of its risk is not easily quantifiable to evaluate the potential on the State's credit rating. Chapter 324, Laws of 2008, amended RSA 35-A:24 to include an intercept program where in the case of a default by a governmental unit, the treasurer shall pay the bond bank the defaulted amount from general or education trust fund appropriations that are due to the governmental unit that defaulted.

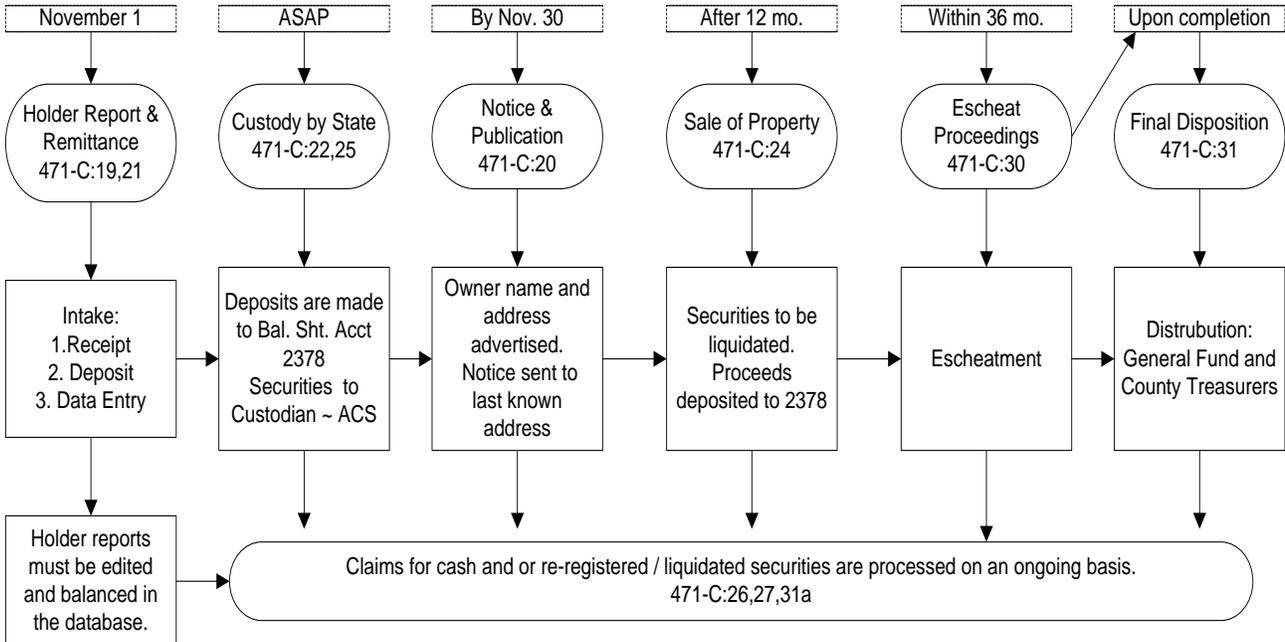
**ABANDONED PROPERTY**

**Overview**

Pursuant to the provisions of NH RSA Chapter 471-C, Treasury’s Abandoned Property Division is charged with the task of receiving and returning intangible properties to the rightful owner or heir. Typically, such properties are in the form of cash from dormant accounts but may also include securities such as stock or mutual funds in share form. These properties are reported and remitted by the “holders” of such property. By and large, holders are entities such as banks, credit unions, corporations, utilities, insurance companies, retailers, as well as government agencies and municipalities.

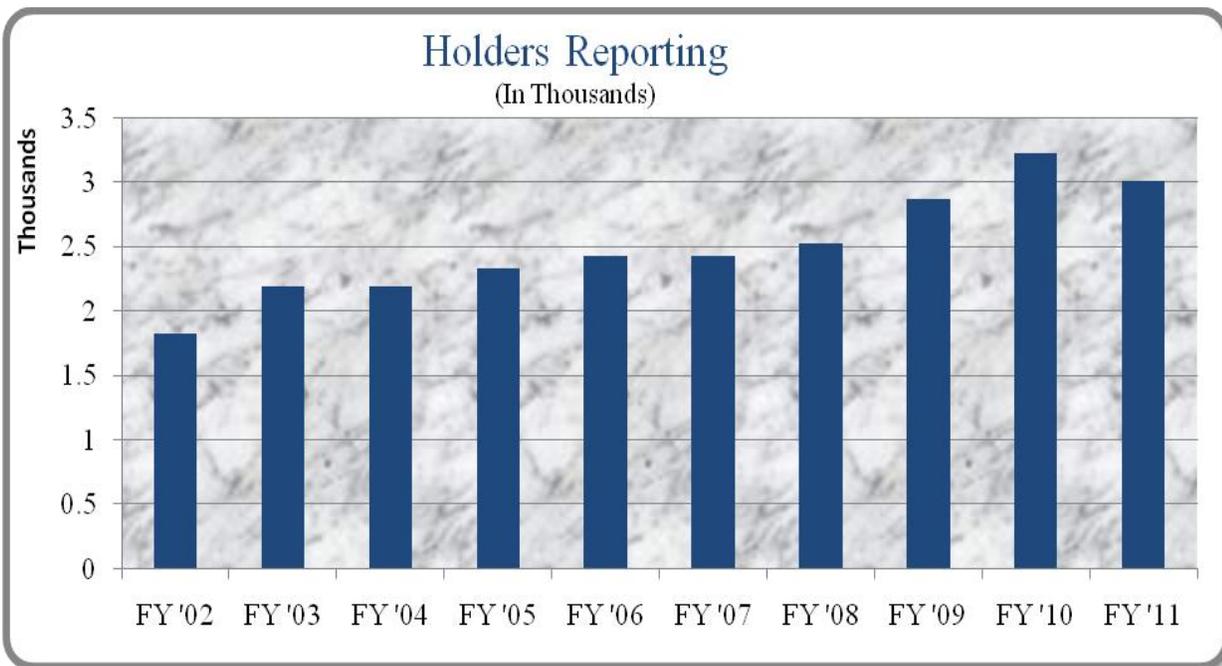
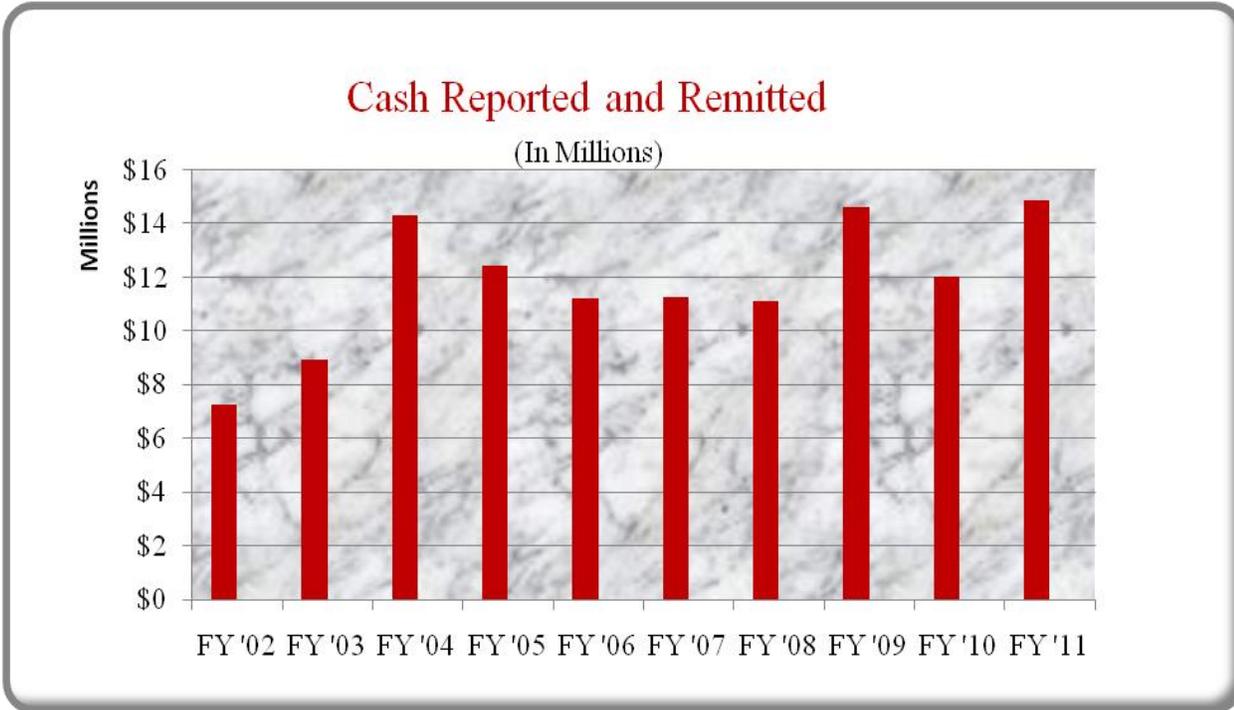
Diligent efforts are made to ensure that the property owners are notified that their property has been reported and remitted to the Division. An annual advertisement listing all names reported and their last known address is published in a newspaper with state-wide circulation. Additionally, a mailing in the form of a postcard notification is sent to the last known address of the reported owner. Further, the Division participates in MissingMoney.com, a multi-state database of unclaimed property owner information, and also maintains a page on the State Treasury website, affording ready access to any citizen inquiring about a lost or abandoned account.

In summary, the Division’s statutory obligation and annual production cycle requires receipt and deposit of unclaimed funds and shares; maintenance of a database of the properties; sending notice to, and advertisement of, the name and last known address of the reported owner; processing claims; and escheating unclaimed funds to the state’s general fund. The general timeline below provides an overview of the annual workflow.



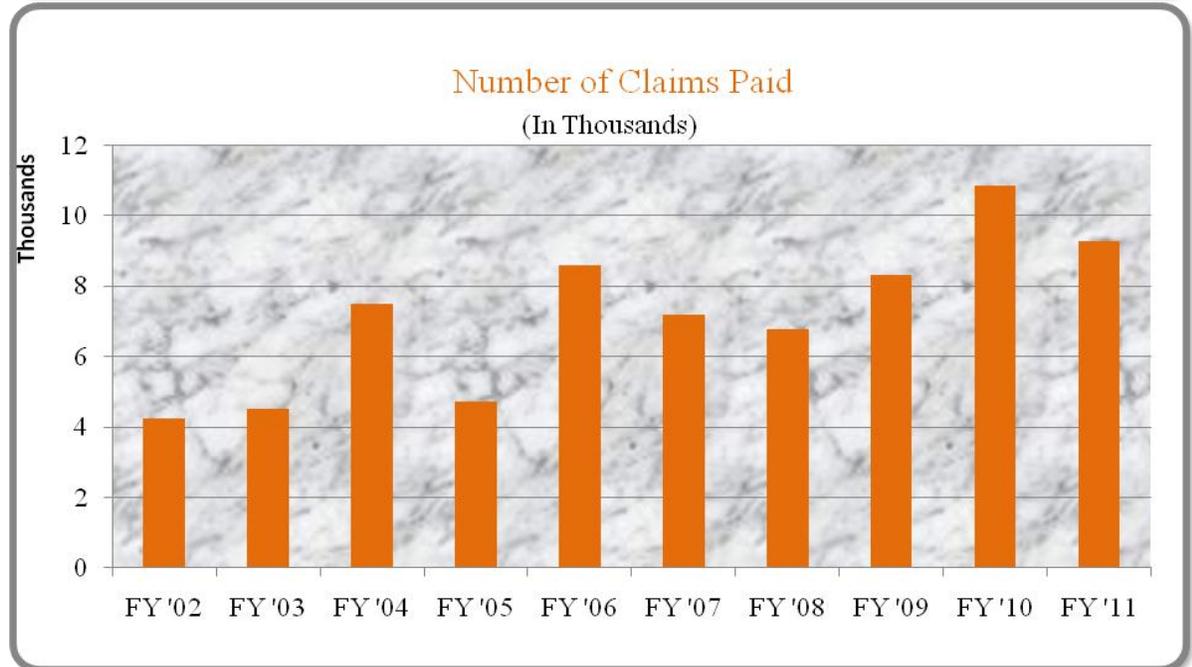
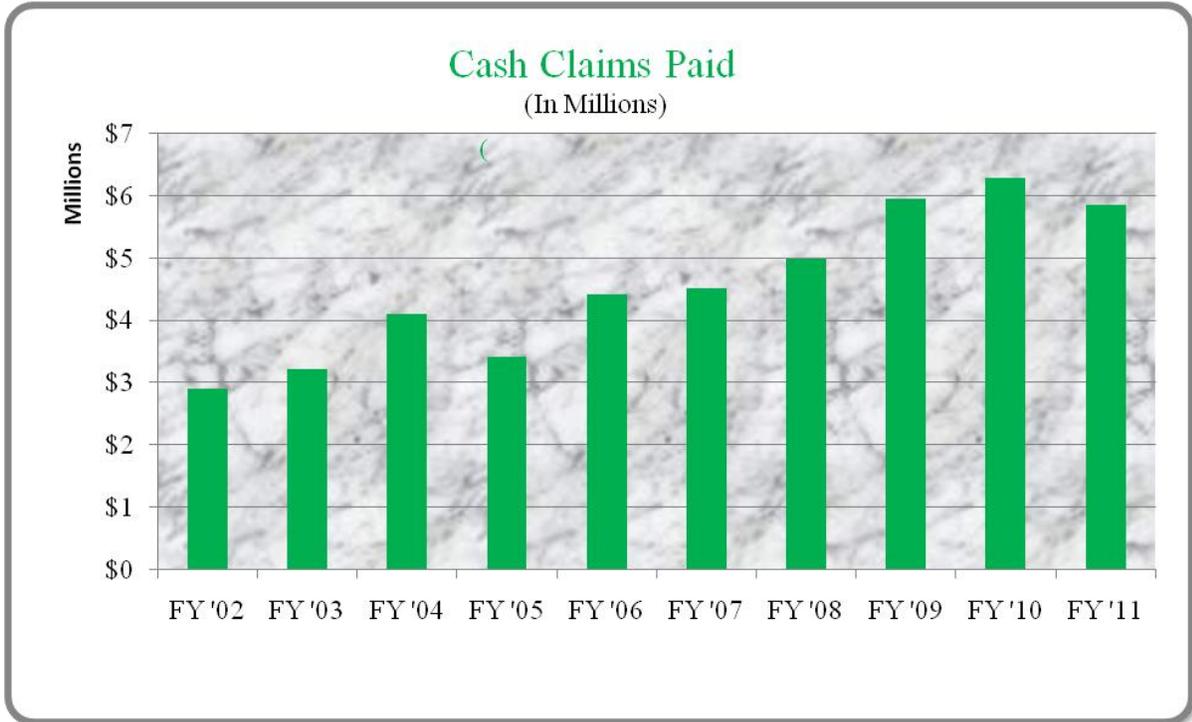
## Holder Reporting and Remittances

In fiscal year 2011, over 3,000 holders of property reported and remitted cash in excess of \$14.8 million and delivered more than 588,000 shares of stock and/or mutual funds to the state’s custodial account. Over the past ten (10) fiscal years, the Division has received nearly \$118 million from holders of abandoned property, averaging approximately \$11.8 million annually.



### Owner Claims Processed

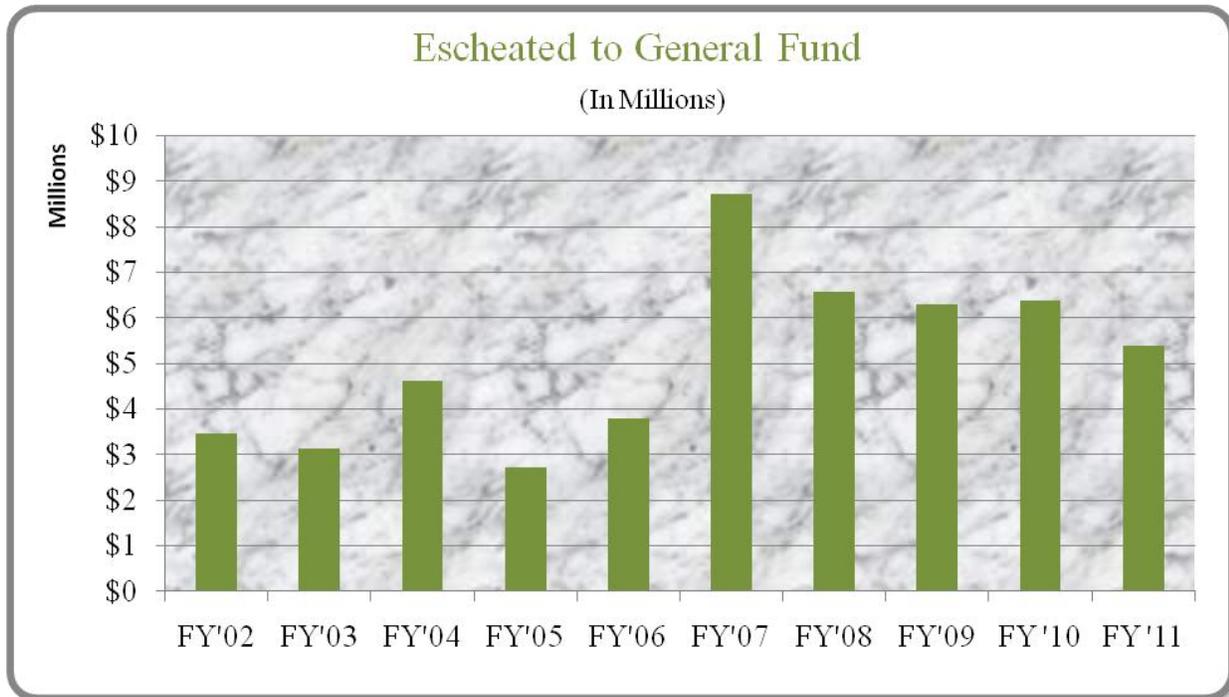
During fiscal year 2011, the Division returned \$5.85 million dollars to citizens representing 9,280 claims paid. The average claim paid was \$630 and the largest individual claim was \$173,692. In the past ten (10) fiscal years, \$45.6 million has been returned to owners with an average of more than \$4.5 million returned each year.



### Escheatment (NH RSA Chapter 471-C: 30, 31)

The Division delivered almost \$5.4 million to the General Fund during fiscal year 2011. Over the past ten (10) fiscal years, over \$51 million has been escheated to the General Fund. On average a transfer of funds of approximately 5.1 million has taken place each year. A noteworthy increase in funds transferred in FY'07 was the result of a significant, one-time recovery of demutualization proceeds from life insurance companies.

The following graph excludes the impact of the liquidation of securities for fiscal years 2007, 2008, 2009, 2010 and 2011 discussed below.



### Securities Liquidation (NH RSA Chapter 471-C: 30, 31)

Treasury practices, with respect to the liquidation of unclaimed securities, were modified in fiscal year 2007 in an effort to recover and deliver proceeds to owners' accounts and the General Fund on a timelier basis. Essentially, proceeds from liquidated securities are transferred in the same fiscal year they are sold, as opposed to being held for an additional period as was past practice. The result of this change is an increase in recent year escheatment dollars with significant additional monies being delivered to the General Fund in conjunction with, and in addition to, the annual escheatment dollars. Liquidation proceeds delivered to the General Fund during fiscal years 2007, 2008, 2009 and 2010 were \$16.1 million, \$2.9 million, \$6.3 million and \$1.2 million respectively. In fiscal year 2011 \$3.1 million was similarly delivered.

## **COLLEGE SAVINGS PLAN**

As the fiscal year closed, Treasury and the College Tuition Savings Plan Advisory Commission (“Advisory Commission”) had completed 13 years of sponsoring the UNIQUE College Investing Plan and 9 years of sponsoring the Fidelity Advisor 529 Plan, pursuant to RSA 195-H. Both plans are managed by Fidelity Investments, under contract to the State through calendar year-end 2018. The combined net assets for the two plans approximated \$10 billion at the end of the fiscal year. The New Hampshire Plans ranked third of all state plans in the market value of net assets. Plan assets were held by nearly 646,000 participants throughout the country. The average account balance as of the end of the fiscal year approximated \$16,000, indicating that this is a college savings vehicle for largely middle and lower income families.

Both plans are very flexible and withdrawals can be used for a wide range of qualified higher education expenses such as computers, books, required supplies, equipment, room and board, and tuition at accredited postsecondary schools, anywhere in the United States and at several international institutions. There are no income limits on participation and participation is open to anyone, regardless of state of residence. The UNIQUE College Investing Plan is sold directly to retail investors, while the Fidelity Advisor 529 Plan is sold through financial intermediaries, such as financial planners, on a fee (commission) basis. Participants in these Plans have a total of 51 investment portfolio options from which to choose and include age-based, static investment and individual fund portfolios representing both actively managed and index funds. The portfolios are largely funds of funds and range from aggressive 100% equity funds to highly conservative money market funds. Changes to investment portfolios are continually reviewed for enhancements to benefit the plan participants.

The New Hampshire Excellence in Higher Education Fund (the “Trust Fund”) was established pursuant to RSA 6:38 and is funded by an administrative fee generated from the two plans. The purpose of the Trust Fund is to provide scholarships to financially needy New Hampshire students attending New Hampshire postsecondary education institutions, under the guidance of the Advisory Commission, and secondarily, to pay for administrative costs incurred by the Advisory Commission. Two scholarship programs, implemented in mid-2006, are:

1. UNIQUE Annual Allocation Program (Annual Program) that provides annual scholarships to New Hampshire-resident students attending the University System of New Hampshire, the Community College System of New Hampshire and eleven other eligible and participating New Hampshire postsecondary education institutions.
2. UNIQUE Endowment Allocation Program (Endowment Program) that provides monthly funding to restricted endowment funds established and managed by the University System of New Hampshire, the Community College System of New Hampshire and nine other eligible and participating New Hampshire postsecondary education institutions. With these institutions providing scholarships from the earnings of their growing endowment fund, it is intended that future UNIQUE scholarships will be available to New Hampshire students in perpetuity.

Criteria for both scholarship programs were developed by the Advisory Commission, are established in administrative rules, and are reviewed at least annually.

The Trust Fund, administered by Treasury, has provided scholarship funding of nearly \$60 million through the end of fiscal 2011 as follows (in thousands of dollars):

	2011 Fiscal Year	From Inception
Annual Program	\$4,100	\$13,337
Endowment Program	\$8,260	\$46,146

As of the end of fiscal year 2011, the Trust Fund had a market value of \$16.5 million.

### **SEABROOK NUCLEAR DECOMMISSIONING**

As of June 30, 2011, the Seabrook Decommissioning Trust fund had assets with a market value of \$423.1 million, which is a gain of 20.5%, after taxes, for the fiscal year due to improving investment market returns during the 2011 fiscal year. The trust represents the cumulative contributions made by the owners of the Seabrook Nuclear Power Station for the cost of future decommissioning and investment earnings on those contributions, net of appropriate taxes and qualified administrative expenses. The trust is invested on the basis of elections made by each individual owner, subject to an investment policy approved by the State Treasurer, and influenced by the tax status of each individual owner. The trust fund is invested in a mix of equities (stocks), fixed income securities (bonds) and cash. The allocation of the fund at the end of the fiscal year was nearly 64% stocks and 36% bonds and cash. In addition, \$26.9 million was being held in separate escrow accounts at June 30, 2011 on behalf of the owners.

The Seabrook Decommissioning Trust is not in the custody of the State Treasurer, nor does the Treasurer serve as the trustee. It is held in trust by Mellon Bank for the owners of the Seabrook Nuclear Power Plant for the sole purpose of covering decommissioning costs when the plant ceases operations. Although the Treasurer serves on the Nuclear Decommissioning Financing Committee, pursuant to RSA 162-F, and fulfills certain other administrative roles, the State Treasury provides no direct financial management or custodial services to the Trust.

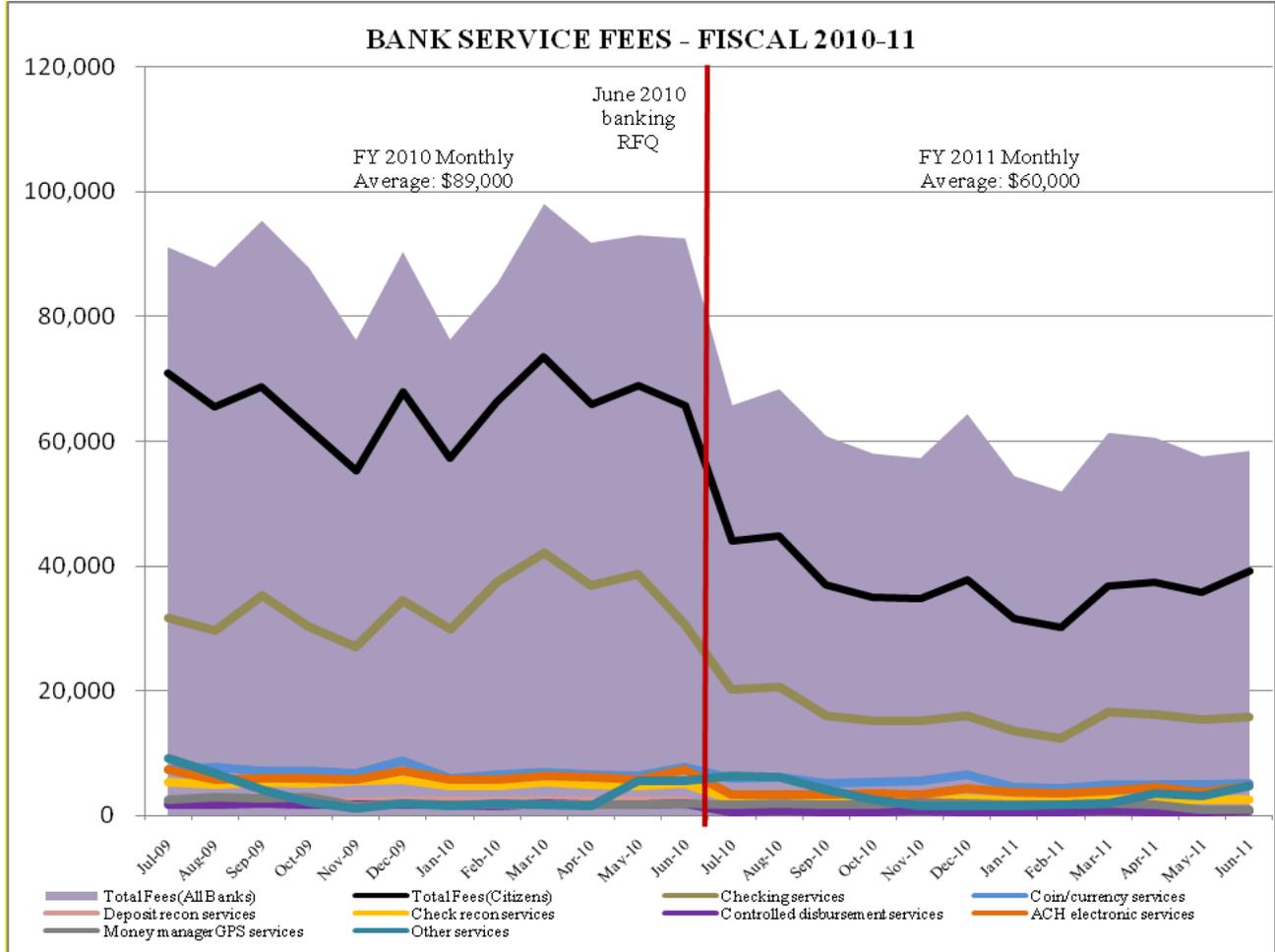
### **TREASURY ACCOMPLISHMENTS AND INITIATIVES**

Treasury achieved several of accomplishments over the past year and continues with a number of initiatives which started during the fiscal year and are ongoing. As a service provider to other State agencies, these important changes could not have taken place without the full and enthusiastic cooperation of the Treasury staff, a variety of State agencies, the Legislature and private sector financial services firms.

#### **Banking Processes & Products**

As a result of the Banking Services Request for Quotes (RFQ) at the end of fiscal year 2010,

Treasury retained Citizens Bank as its primary banking vendor and realized statewide savings of approximately \$535,000 in fiscal year 2011. The chart below reflects \$350,000 of core Treasury banking savings and depicts the impact of these savings. The reduced product pricing achieved as a result of the RFQ will remain in effect for fiscal years 2012 and 2013.



Due to the historically low interest rate environment, Treasury maintains a compensating balance arrangement with each of its banking vendors. This approach allows Treasury to pay for the state’s banking services by maintaining targeted balances sufficient to compensate the banks for services provided. Under this arrangement, the state incurs a hard dollar service charge only to the extent the actual balance falls short of the balance required to support these services. As a result of the RFQ, combined with the compensating balances approach, Treasury is able to optimize the balances it maintains with its banking vendors and deploy excess cash for financial operations or investment elsewhere.

Lastly, Treasury is collaborating with its banking partners to both enhance the operational efficiency of certain banking applications utilized and to design or improve specific business continuity processes that will facilitate banking operations in the event of an interruption in normal service delivery.

## Lean Initiative

“Lean refers to a collection of principles and methods that focus on the identification and elimination of non-value added activity (waste) involved in producing a product or delivering a service to customers”.\* Several Treasury employees were selected to participate in the Lean process this year with the goal of gaining efficiencies in the revenue approval and reconciliation process. This process includes approval of revenue transactions in NH FIRST (State of NH financial system) as well as the reconciliation of bank activity. Treasury continues to be engaged in Lean process improvement in an effort to explore all options to streamline this process.

\* James Womack, Daniel Jones, and Daniel Roos coined the term “Lean” in their 1990 book *The Machine that Changed the World* to describe the manufacturing paradigm.

## Legislative Activity

Treasury continued to work with legislators seeking to make needed changes to statutes. During the 2011 legislative session, Treasury worked with many of the legislative committees and study committees providing research and testimony on a variety of issues. Significant efforts during this session were focused on a variety of budget-related issues.

## Physical Office Security Enhancements

Treasury continues to monitor the physical security of the Treasury office spaces during all hours. All off-hours entry to Treasury requires access through doors which utilize electronic key cards. Such access has been restricted from over 100 State employees to only Treasury staff, limited housekeeping personnel, security and emergency services. All such accesses are reported to Treasury and continue to be reviewed on a weekly basis. Additional physical security enhancements have been identified and will be implemented as resources permit.

## Contractual Advancements

### Commercial Paper Liquidity Facility

On July 8, 2010, Treasury issued a Request For Proposal (RFP) inviting banking institutions to provide the State with a \$50,000,000 Commercial Paper liquidity facility. In response to the issuance of the RFP, eight banks submitted proposals. All eight responses were reviewed by Treasury staff and the Treasury’s financial advisory firm, Public Resources Advisory Group (PRAG), in order to identify the top three proposals for a conventional liquidity facility, with US Bank, N.A. being selected as the best value for the Treasury as the provider of this commoditized credit facility and at the lowest cost (annual fee).

Responses were evaluated on the basis of the credit strength, experience, and marketplace reputation of the bank and the bank’s personnel to be assigned to the State’s engagement, the ability of the bank to provide all of the services and terms required by the Treasury, the soundness of the approach to be taken by the banks to understand and address the needs of the State, references

provided by existing clients of the bank, and the proposed cost of services. PRAG played a crucial role in evaluating the relative strengths of the respondents with respect to how each bank's creditworthiness and saturation level in the money market fund industry would impact the cost of any future borrowings under the facility.

After evaluating the initial responses, the Treasury entered into negotiations related to the annual facility fee and borrowing costs and terms with US Bank, N.A. and Bank of America Merrill Lynch. Due to US Bank's concession with regard to the initial annual facility fee proposed, its lack of onerous contractual terms and conditions, and its ability to match the borrowing costs of Bank of America Merrill Lynch in the event of a failed re-marketing of the commercial paper, US Bank, N.A. was selected as the liquidity facility provider.

#### **Bond Arbitrage Rebate Compliance Services**

On November 23, 2010, Treasury issued a Request For Proposal (RFP) to eight (8) firms known to provide bond arbitrage rebate compliance services, for the State's Turnpike System Revenue Bonds (including Build America Bonds) and Federal Highway Grant Anticipation Revenue Vehicle (GARVEE) Bonds. Following the distribution of the RFP, five firms submitted proposals. All five responses were reviewed by Treasury staff and the State's financial advisor, Public Resources Advisory Group (PRAG). Bank of New York Mellon Trust Company (BNYM) was selected as the best value for the Treasury as the provider of these professional services at the lowest cost among those firms considered qualified to provide the services.

Responses were evaluated on the basis of cost of services, industry reputation and experience, expertise and qualifications of personnel, understanding of the scope of services required, and ability to meet set standards. Although BNYM was not the lowest-cost bidder, the Treasury received significant feedback from PRAG suggesting that it was the best choice on the basis of quality, timeliness, and accuracy, as described in the attached memorandum.

Fees for arbitrage rebate compliance services are typically structured as a per series fee for each existing bond issue, as well as ancillary technical fees, including support in the event of an IRS inquiry. BNYM was the lowest-cost bidder among those firms considered qualified to meet the State's needs in this area and, in addition, does not assess any incremental fees in the event of an IRS inquiry. The Treasury does not anticipate utilizing any ancillary services that would generate additional nominal fees on a per issue basis.

#### **Treasury Policy Development**

To enhance professionalism, strengthen personal ethics and to develop teamwork, Treasury implemented a formal Code of Conduct policy and a Fraud Policy and Procedure which are applicable to, and will be signed off by, each staff member annually. A comprehensive Fraud Risk Assessment is ongoing and will continue into fiscal year 2012 in order to improve the safeguards over State cash and investments. The assessment reviews Treasury's role in the overall internal control process of the State, reviewing confidential data flowing into and out of Treasury to other agencies or to our banking partners, as well as analyze detailed processes and procedures internal to

Treasury. Additional fraud risk assessments and the implementation of recommendations for data security improvements will continue as budgeted resources permit.

## TRUST AND ESCROW ACCOUNTS HELD BY THE STATE TREASURER

## Fiscal Year 2011

<u>Fund Name</u>	<u>Beginning Market Value</u>	<u>Annual Earnings</u>	<u>Net Annual Transactions</u>	<u>Market Value Change (Net)</u>	<u>Ending Market Value</u>
<b>Health &amp; Human Services</b>					
- Laconia State School	\$153,527	\$340	\$0	\$0	\$153,867
- New Hampshire Hospital	5,121,484	160,403	(22,126)	550,307	5,810,068
- Youth Development Center	54,315	111	(8,900)	0	45,525
- Matthew Elliott Memorial Trust Fund	4,649	10	0	0	4,659
- Catastrophic Illness Fund	213,749	4,762	264	48,044	266,820
-State V Bardsley ET AL Escrow	30,021	22	(30,044)	0	0
<b>New Hampshire Veterans' Home</b>					
- Benefit Fund	501,087	11,699	101,234	77,600	691,620
- Members' Administrative Account	233,686	517	0	0	234,204
- Guy Thompson Account	15,316	34	(37)	0	15,312
<b>Dept of Agriculture, Markets &amp; Foods</b>					
- Agriculture, Markets & Foods	17,522	39	0	0	17,561
<b>Department of Education</b>					
- John Nesmith	269,563	6,135	729	42,574	319,001
- Special Teachers Competence	183,176	4,263	480	27,774	215,692
- Hattie Livesey	14,625	319	41	2,433	17,418
- Harriet Huntress	29,133	662	76	4,616	34,487
<b>University of New Hampshire</b>					
- Sam Whidden Trust	125,918	83	743	40,591	167,335
- Ben Thompson Trust	1,405,274	37,760	111,033	66,317	1,620,385
<b>Department of Fish &amp; Game</b>					
- Lifetime License Fund	1,226,457	28,383	(81,915)	272,948	1,445,873
<b>Dept of Resources &amp; Economic Dev.</b>					
- Caroline A. Fox Fund	177,887	465	64,515	0	242,867
-Tip-Top House Fund	24,047	53	0	0	24,100
<b>Office of Energy and Planning</b>					
- Land Conservation Monitoring Endow.	2,526,583	57,257	174,086	221,674	2,979,599
<b>Department of Labor</b>					
- Special Fund for Active Cases	22,188	0	19,309	0	41,497
- Special Fund For Second Injuries	3,085,215	7,781	(987,739)	0	2,105,257
- Crown Paper Workers Compensation	0	12	15,236	0	15,248
<b>Department of Safety</b>					
- Financial Responsibility	75,931	181	19,652	0	95,764
- Road Toll Bonds	839,760	1,854	(10,027)	0	831,587

## TRUST AND ESCROW ACCOUNTS HELD BY THE STATE TREASURER

## Fiscal Year 2011

<u>Fund Name</u>	<u>Beginning Market Value</u>	<u>Annual Earnings</u>	<u>Net Annual Transactions</u>	<u>Market Value Change (Net)</u>	<u>Ending Market Value</u>
<b>Department of Environmental Services</b>					
- Piscataquog	61,178	134	(6,500)	0	54,812
- Mascoma	122,312	262	(30,000)	0	92,575
- Winnepesaukee	139,122	288	(70,000)	0	69,410
- Connecticut-Coos	2,121,889	3,553	(1,000,000)	0	1,125,442
- Squam Lake	58,817	130	0	0	58,948
- Newfound	79,967	177	0	0	80,144
- Sugar River	21,695	46	(6,200)	0	15,541
<b>Pari-Mutuel Commission</b>					
-Pari-Mutuel Licensee Escrow	437,906	874	(126,349)	0	312,431
-State of NH Racing - Torguson Grp NH LLC	0	14	25,383	0	25,397
<b>Post Secondary Education</b>					
-PEC Atlantic Green Energy	0	1	2,000	0	2,001
-PEC First Choice	28,006	57	(5,000)	0	23,062
-PEC Erasmus	10,002	26	4,000	0	14,029
-PEC National Seminars Group	25,001	55	0	0	25,057
-PEC Northeast Heavy Construction	0	84	(84)	0	0
<b>Public Utilities Commission</b>					
-Electric Assistance Program	347,831	1,197	(310,895)	0	38,133
<b>State Treasury</b>					
- Unclaimed and Abandoned Property (1)	12,938,432	356,643	6,411,377	0	19,706,453
- Japanese Charitable Fund	73,254	2,222	291	9,403	85,170
- College Savings Plan Trust	15,757,943	354,936	705,726	(304,888)	16,513,717
- Foreign Escheated Estates	260,817	577	0	0	261,394
<b>Other</b>					
- Community Conservation Endowment	1,737,563	4,070	203,507	0	1,945,140
- Connecticut Lakes Headwaters					
- Tract Monitoring Endowment	1,322,653	2,928	0	0	1,325,581
- Natural Areas Stewardship	1,204,682	2,696	3,811	0	1,211,189
- Tract Road Maintenance	1,314,474	2,910	0	0	1,317,384
<b>Total Trust &amp; Escrow Accounts</b>	<b>\$54,414,658</b>	<b>\$1,057,025</b>	<b>\$5,167,676</b>	<b>\$1,059,394</b>	<b>\$61,698,753</b>

"Net Change in Market Value" includes realized and unrealized gains and losses.

(1) This includes only the securities held by ACS Unclaimed Property Clearinghouse.

Columns may not add due to rounding.