

Senate Executive Departments and Administration Committee

Chantell Wheeler 271-1403

HB 1587-FN-A, relative to determination of average final compensation under the retirement system and making an appropriation therefor.

Hearing Date: April 13, 2022

Members of the Committee Present: Senators Reagan, Ricciardi, Cavanaugh and Prentiss

Members of the Committee Absent: Senator Carson

Bill Analysis: This bill modifies the calculation of compensation paid in excess of the full base rate of compensation under the definition of average final compensation in the retirement system for group II persons hired before July 1, 2011 who did not vest before January 1, 2012. The bill makes an appropriation to the retirement system for funding the cost of the change.

Sponsors:

Rep. Pratt

Rep. Deshaies

Rep. Bordes

Rep. Trottier

Who supports the bill: Rep. Merner, Michael Geha (NHPA), Claudia Cass, Seifu Ragassa (Probation and Parole), Frank Swirko, Jodi Grimbilas (NH Association of Fire Chiefs), Sandra Amlaw, Brian Ryll (PFFNH), Arthur Beaudry (NHSPFFRA), Beth Sargent (NH Association of Chiefs of Police), Chief Sitar. There are an additional 724 people remotely signed up in support.

Who opposes the bill: William Omeara, Gerald Mackey, Jane Aquino, Kent Matthews, Curtis Howland, Aubrey Freedman, Alvin See

Who is neutral on the bill: Marty Karlon, NHRS

Summary of testimony presented in support:

Rep. Pratt introduced the bill to fix a gap in 2011 calculations, for average final compensation (AFC) which took away the highest 5 years. Instead, it took away the highest 5 years.

Hundreds of people used to test to be firefighters, now it is down to 20-30 people. The State Police are advertising on television.

Brian Ryll, Professional Firefighters of NH

- Provided written testimony.
- This bill retains good quality experienced personnel in NH<
- Prior to 2010 there were 500 candidates testing every year in fire service. Since 2011, the data shows the firefighter candidates testing has trended downward by 60% in 2022.
- A survey of full-time fire departments, for every two vacant positions, there is one firefighter hired.
- Firefighters are subject to forced mandatory overtime which is causing burn out. People are leaving, and there are no replacements.
- Retirement security is overwhelmingly a concern voiced by current employees.
- Firefighters are told they may get cancer and face other health risks for a modest salary and deteriorating retirement benefits.
- This bill is a huge step in a positive direction.
- Firefighters are watching closely to see what happens with this bill before making future career decisions.
- Over 800 people signed up for the house hearing on this bill. There is significant support for this bill.

Senator Prentiss thanked Mr. Ryll for his effort and commitment.

Arthur Beaudry, NH Permanent Firefighters Retirement Association

- Supports this bill to reinstate the benefits expected by employees at the time of hire.
- The average years of service cannot and should not be calculated without the highest 5 years. This is taxation without representation.

Rep. Pearson

- Drafted this bill which passed the house with a veto proof majority
- A compromise was made in finance for policy and cost reasons.
- In excluding the high 5 years over base resulted in the extra money going into the general corpus, which was concluded to be an income tax.
- Recruitment and retention are ongoing problems.
- Manchester lost another firefighter this week who left.
- The city of Worcester has 277 on their posted hiring list as compared to the state of NH which has 35. This issue is not a regional issue, it is specific to NH.

- Greater communication has shown this is a common problem and this bill will help NH retain employees.

Senator Prentiss thanked Rep. Pearson for drafting this bill. In her time in NH people were waiting out the door to test. This is a serious workforce safety issue.

Rep. Pearson tested with 400 people for 9 jobs in 2001 in Manchester.

Michael Geha, NH Police Association

- Supports this bill as critical for law enforcement officers impacted by the changes 2011. These people are leaving NH and taking their experience with them.
- The challenges faced by law enforcement that have not been seen before. Some are moving to the private sector; others are moving on to Massachusetts for better pay and benefits. This is historically unheard of.
- Staffing is down 20%.
- Retention is a critical issue for NH law enforcement. The cost of losing this segment will be felt for years.

Senator Prentiss thanked Mr. Geha for his testimony and asked about law enforcement vacancies in NH.

Mr. Geha stated that as of this morning, there are 68 open state police positions.

Senator Cavanaugh asked about the cost to replace an officer with 10-15 years of experience.

Mr. Geha said it costs about \$50K-75K for the first year on the police department.

Seifu Regassa, Probation and Parole Officers

- Supports this as a retention bill.
- Trouble started in 2011 and recruitment has gone down hill.
- As stated earlier, even the simple calculations are a nightmare.
- He regularly works at Department of Corrections to help reduce forced overtime for corrections officers.
- DOC has a 50% vacancy rate per the union. The DOC later stated the rate was 34%. That is more than 1/3 of the workforce.
- It is an income tax when member contributions cannot be included in their retirement calculation.
- This bill is a win-win for retention and workforce challenges.

Frank Swirko, Parole and Probation Association

- Grew up in a law enforcement family.

- Years ago, people came from all over the country to work in NH as a first responder. This does not happen anymore when comparative wages are paid at the Walmart Distribution Center at \$25/hour.
- Has worked with DOC for 16 years and the staffing issues are getting worse.
- There are 16 hour shifts for days in a row.
- There is big turnover.
- Many people are watching to see what happens here.

Sen. Cavanaugh asked what the DOC forced overtime amount is. Mr. Swirko stated it is astronomical.

Jonathan K. Hanson, DOC, Director of Administration was called to testify.

Mr. Hanson stated that the number is close to \$17 million this year and he will submit additional information.

Summary of testimony presented in opposition: None

Neutral Information Presented:

Marty Karlon, NHRS

- NHRS takes no position on this bill and provided written testimony.
- Explained that the calculation in question which is the most complicated formula to explain in his experience.
- Since January 1, 2012, employers report base pay and compensation over base (COB) pay. Prior to this, all wages were reported as a lump sum. HB 2 (2011) made changes to pension system.
- The AFC for unvested members changed from three years to five and established a formula within a formula.
- The percentage of COB used in the AFC calculation is the lesser of the percentage of COB in the high 5 years of earnable compensation or the percentage of COB in the remainder of the member's career, excluding the high 5 years.
- The lower percentage is applied to the other years and there is a cap.
- This bill modifies the calculations for Group II members unvested on January 1, 2012. There would not be a negative impact on members.
- There are 1824 active group II members in these tiers.
- Cannot speak to the fiscal impact until the actuaries provide an update.

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Date Hearing Report completed: April 14, 2022