

SB 246-FN – AS INTRODUCED

2012 SESSION

12-2919

10/09

SENATE BILL        **246-FN**

AN ACT            relative to the calculation of employer assessments for excess retirement system benefits.

SPONSORS:        Sen. Groen, Dist 6; Sen. Bradley, Dist 3; Sen. Bragdon, Dist 11; Sen. Gallus, Dist 1; Sen. Lambert, Dist 13; Sen. Luther, Dist 12; Sen. Odell, Dist 8; Rep. Hawkins, Hills 18; Rep. Winter, Merr 3; Rep. W. Smith, Rock 18; Rep. Reagan, Rock 1

COMMITTEE:      Executive Departments and Administration

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ANALYSIS

This bill revises the method for the calculation of employer assessments for excess retirement system benefits.

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Explanation:     Matter added to current law appears in ***bold italics***.  
Matter removed from current law appears [~~in brackets and struck through.~~]  
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

*In the Year of Our Lord Two Thousand Twelve*

AN ACT relative to the calculation of employer assessments for excess retirement system benefits.

*Be it Enacted by the Senate and House of Representatives in General Court convened:*

1 1 Purpose.

2 I. This act establishes a formula to identify so-called spiking in pensions of retiring members  
3 of the New Hampshire retirement system. The formula will take into account what was paid into the  
4 system for each retiring member, using data that is currently available in the system, and it will  
5 compare that with the pension cost for each retiring member. The formula will determine  
6 assessments to retirement system employers for a portion of the cost to the New Hampshire  
7 retirement system of that spiking.

8 II. In order to accurately establish the cost to the retirement system of pension spiking, this  
9 act determines the accumulated value in the retirement system and compares that value with the  
10 present value of the retirement annuity of the retiring member. The cost assessed to a retirement  
11 system employer will be determined by subtracting the accumulated value from the present value of  
12 the retirement annuity, and charging a percentage of that cost to the retirement system employer.

13 III. The act also clarifies the online calculator that will, with reasonable accuracy, project  
14 the assessments to retirement system employers.

15 2 Retirement System; Assessment on Employers. Amend RSA 100-A:16, III-a to read as follows:

16 III-a. Upon the retirement of a member ***on or after January 1, 2013:***

17 (a) The retirement system shall:

18 (1) Calculate [~~average base pay of a member during his or her highest 3 years of~~  
19 ~~creditable service, or during all of the years in his or her creditable service if less than 3 years]~~ ***the***  
20 ***accumulated value of the contributions to the retirement system made by or on behalf of, or***  
21 ***attributable to, a member, plus the total value of earnings associated with those***  
22 ***contributions held by the retirement system. This accumulated value shall be the sum of:***

23 (A) ***The member’s contributions;***

24 (B) ***The employer contributions attributable to the member;***

25 (C) ***All accumulated interest earned on the employee contributions and***  
26 ***the employer contributions;***

27 (2) Multiply the [~~average base pay]~~ ***accumulated value for the member***  
28 ***determined in subparagraph (1) above by [125 percent] 1.07;***

29 (3) Subtract the result from subparagraph (2) from the ***present value of the***  
30 ***member’s [average final compensation] retirement allowance at the member’s effective date of***  
31 ***retirement, and multiply the result by .8.***

1 (b) If the calculation in subparagraph (a)(3) is greater than zero, the employer shall be  
2 assessed the cost of the excess benefit [~~provided by:~~

3 ~~(1) Multiplying the present value of the member's retirement benefit by] **at** the amount  
4 determined in subparagraph (a)(3) [~~divided by the member's average final compensation; and~~~~

5 ~~(2) Subtracting from that amount a credit to account for the portion of the present  
6 value of the member's retirement benefit attributable to the compensation above base pay, as  
7 determined by the retirement system, that has been funded through the normal employer  
8 contributions.~~

9 ~~(c) The employer shall certify to the accuracy of each member's base pay].~~

10 ~~(d)~~ (c)(1) The retirement system shall certify to the cost determined in subparagraph  
11 (b) to the employer and assess upon the employer such cost for payment to the retirement system at  
12 such times and in such manner as the board of trustees may prescribe.

13 (2) The assessments upon employers determined in subparagraph (b) **beginning**  
14 **January 1, 2013** shall be phased-in over a 4-year period as follows:

15 (A) [~~Until the end of state fiscal year] **From January 1, 2013 to June 30, 2013**, the  
16 retirement system shall assess and collect 25 percent of the amount determined in subparagraph (b).~~

17 (B) For state fiscal year] 2014, the retirement system shall assess and collect 50  
18 percent of the amount determined in subparagraph (b).

19 (C) For state fiscal year 2015, the retirement system shall assess and collect 75  
20 percent of the amount determined in subparagraph (b).

21 (D) For all state fiscal years thereafter, the retirement system shall assess and  
22 collect the full amount determined in subparagraph (b).

23 (3) Each such employer is hereby authorized to appropriate the sums necessary for  
24 payment of such assessments.

25 3 Online Calculator. Amend 2011, 230:5 to read as follows:

26 230:5 Retirement System; **Online Calculator**; Interactive Estimator. The retirement system  
27 shall develop and implement on the retirement system's website, within [30] **60** days after the  
28 effective date of this section, an interactive estimator **that will combine historical data on**  
29 **accumulated value and up to 4 years of forward projected earnable compensation as an**  
30 **online calculator** for a retirement system employer to evaluate its probable costs under RSA 100-  
31 A:16, III-a, as amended [~~by this act~~], for individual members **planning to retire**.

32 4 Effective Date. This act shall take effect July 1, 2012, at 12:02 a.m.

LBAO  
12-2919  
11/29/11

**SB 246-FN - FISCAL NOTE**

AN ACT relative to the calculation of employer assessments for excess retirement system benefits.

**FISCAL IMPACT:**

The New Hampshire Retirement System states this bill will have an indeterminable impact on state, county, and local expenditures in FY 2013 and each year thereafter. There will be no impact on state, county, and local revenues.

**METHODOLOGY:**

The New Hampshire Retirement System states this bill would postpone the effective date of employer assessments for excess retirement system benefits, or so-called “spiking charges”, from July 1, 2012 to January 1, 2013, and would also modify the formula used to determine the amount of those assessments. The System states this bill would modify the manner in which existing pension costs are allocated among employers but will not alter, in the aggregate, the total employer contributions required over the long-term. The System states the provisions will affect how contribution obligations are shared across employers. The System states, over time, those employers paying the assessment will contribute a greater percentage of payroll than those employers who are not subject to the assessment. The System states this impact on state, county, and local expenditures is indeterminable as it is unable to determine which employers will be assessed the assessment, the fiscal year to which the assessment would apply, and the amount of the assessments. The System states over the long-term the aggregate employer contributions by all participating employers will remain unchanged, however the impact of the employer assessment might be expected to reduce the loading factors which are currently in use to account for severance pay at retirement.

The System states cost of programming the System’s pension administration software to accommodate the revised employer assessment contained in this bill is indeterminable. The System also states it will incur an indeterminable amount of actuarial fees to develop the online calculator required by section 3 of this bill.