

HB 455 – AS INTRODUCED

2013 SESSION

13-0704
10/01

HOUSE BILL

455

AN ACT

establishing a committee to study the use of a cash balance retirement plan for new state employees.

SPONSORS:

Rep. Kurk, Hills 2

COMMITTEE:

Executive Departments and Administration

ANALYSIS

This bill establishes a committee to study the use of a cash balance retirement plan for new state employees and other groups electing to participate.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 Thirteen

AN ACT establishing a committee to study the use of a cash balance retirement plan for new state employees.

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

1 1 Committee Established. There is established a committee to study the use of a cash balance
2 retirement plan for new state employees.

3 2 Membership and Compensation.

4 I. The members of the committee shall be as follows:

5 (a) Five members of the house of representatives, appointed by the speaker of the house
6 of representatives.

7 (b) Three members of the senate, appointed by the president of the senate.

8 II. Members of the committee shall receive mileage at the legislative rate when attending to
9 the duties of the committee.

10 3 Duties. The committee shall study the use of a cash balance retirement plan for new state
11 employees and other groups electing to participate.

12 I. The committee shall consider the requirement that all group I and group II state
13 employees beginning service on or after July 1, 2013 shall, as a condition of employment, become a
14 member and participate in the retirement system cash balance plan established under new sections
15 RSA 100-A:58 through RSA 100-A:63 as proposed in paragraph II, and that group I and group II
16 members beginning service on or after July 1, 2013 who are employed by a political subdivision shall
17 participate beginning on the date that the political subdivision employer elects to participate
18 according to the method provided in RSA 100-A:20 through RSA 100-A:25.

19 II. The committee shall consider a cash balance plan in the following form:

20 Cash Balance Plan

21 100-A:58 Definitions. In this subdivision:

22 I. "Member" means a person employed by the state who is required to become a member in
23 the cash balance plan established in this subdivision, or a person employed by a political subdivision
24 which elects to participate in the cash balance plan.

25 II. "Plan" means the retirement system administered cash balance plan established for
26 members who began service on and after July 1, 2013. The cash balance retirement plan is a plan in
27 which savings are accumulated in an individual account for the exclusive benefit of the member or
28 beneficiaries.

29 100-A:59 Cash Balance Plan Account Accumulation.

30 I.(a) Each member shall contribute to the cash balance retirement system the amount of 7.5

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1 percent of the member's base rate of compensation. Employers are authorized to deduct
2 contributions as provided in RSA 100-A:16, I(aa) and (b) and rules of the board. A member may
3 make additional contributions pursuant to procedures adopted by the board.

4 (b) Employer contributions to each cash balance retirement system shall be 2.5 percent.

5 II. The cash balance plan member's account shall be credited with an amount equal to the
6 contributions under paragraph I and the interest accrued under paragraph III. No sum credited may
7 be borrowed by the member.

8 III.(a) For the duration of service covered by the cash balance plan, interest shall be payable
9 on the member's account each plan year at a rate equal to the system's actuarial rate of return as
10 certified by the system actuary in the system's actuarial valuation, less the costs of administration as
11 determined by the board. Interest shall be based on the balance of the account at the end of each
12 month for the prior plan year. The employer shall guarantee that over any 10-year period, the
13 interest credited is at least 2 percent of the total contributions under paragraph I, compounded
14 annually.

15 (b) No interest shall be credited after the member separates from service covered by the
16 plan, except that interest shall be credited for those months during the plan year prior to his or her
17 separation from service.

18 (c) In no case shall the balance in the member's account be debited for investment losses.

19 IV. A cash balance plan member who separates from employment may withdraw from the
20 cash balance plan.

21 (a) Upon application for withdrawal, a member who has been a cash balance plan
22 member for less than 5 years shall receive a refund of his or her accumulated member contributions
23 plus accrued interest at the rate of 2 percent per year. The system shall retain all employer
24 contributions and sums deducted as the costs of administration.

25 (b) Upon application for withdrawal, a member who has been a cash balance plan
26 member for 5 years or longer shall receive either a lump-sum payment of 50 percent of his or her
27 account balance or the distribution of such account balance in the form of a trustee-to-trustee, single-
28 sum transfer between qualified plans or as a payment made directly to a conduit individual
29 retirement account. The remaining 50 percent shall be converted by the retirement system to an
30 annuity payable to the member or the member's beneficiary upon the retirement of the member, as
31 provided in RSA 100-A:60.

32 100-A:60 Annuitization of Retirement Benefit. Upon application, any member retiring shall
33 receive an annuity in a retirement allowance payable throughout his or her life, or he may elect at
34 that time to receive the actuarial equivalent of his retirement allowance in a reduced retirement
35 allowance payable throughout life, pursuant to any retirement options provided in RSA 100-A:13, III.
36 The system shall annuitize and pay any such allowance chosen by the member.

37 100-A:61 Reemployment. If, after withdrawing from the cash balance plan upon separation from

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1 service or after annuitizing the member's benefit, a cash balance plan member becomes reemployed
2 in a position covered by the cash balance plan, the person's accumulation in the cash balance plan
3 pursuant to RSA 100-A:59 shall begin again. However, the reemployment shall not affect the receipt
4 of the lump sum or annuitized payments from the first cash balance account.

5 100-A:62 Guaranteed Return of Member Contributions. In no case shall the retirement system
6 pay total benefits of an amount less than the total of the employee's accumulated contributions.
7 Where the total benefits received prior to an employee's death is less than the employee's total
8 contributions, the difference shall be paid to the estate of the decedent.

9 100-A:63 Amendments to the Cash Balance Plan. The plan established in this subdivision is not
10 a contract and may be changed by appropriate legislation at any time and from time to time,
11 provided, however, that any contributions and interest previously credited to the member's account
12 shall not be adversely affected.

13 4 Chairperson; Quorum. The members of the study committee shall elect a chairperson from
14 among the members. The first meeting of the committee shall be called by the first-named house
15 member. The first meeting of the committee shall be held within 45 days of the effective date of this
16 section. Five members of the committee shall constitute a quorum.

17 5 Report. The committee shall report its findings and any recommendations for proposed
18 legislation to the speaker of the house of representatives, the president of the senate, the house
19 clerk, the senate clerk, the governor, and the state library on or before December 1, 2013.

20 6 Effective Date. This act shall take effect upon its passage.