

HB 1148-FN – AS INTRODUCED

2014 SESSION

14-2193
10/01

HOUSE BILL ***1148-FN***

AN ACT relative to the reduction in the calculation of state retirement system annuities at age 65.

SPONSORS: Rep. Gale, Hills 28; Rep. Schuett, Merr 20; Rep. Bartlett, Merr 19; Rep. Weed, Ches 16

COMMITTEE: Executive Departments and Administration

ANALYSIS

 This bill provides for the application of the reduction of a retiree's annuity at the member's full retirement age under the federal Social Security system.

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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT relative to the reduction in the calculation of state retirement system annuities at age 65.

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

1 1 Retirement System; Service Retirement Benefits; Reduction Age. Amend RSA 100-A:5, I(b) to
2 read as follows:

3 (b) Upon service retirement, an employee member or teacher member of group I shall
4 receive a service retirement allowance which shall consist of a member annuity which shall be the
5 actuarial equivalent of the member's accumulated contributions at the time of retirement, and a
6 state annuity. Prior to the member's attainment of [age-65] ***the member's full retirement age for***
7 ***Social Security***, the state annuity, together with the member annuity, shall be equal to 1/60 of the
8 member's average final compensation multiplied by the number of years of creditable service. After
9 attainment of [age-65] ***the member's full retirement age for Social Security***, the state annuity,
10 together with the member annuity, shall be equal to 1/66 of the member's average final
11 compensation multiplied by the number of years of creditable service. Provided, however, that a
12 group I member who commenced service on or after July 1, 2011 shall not receive a service
13 retirement allowance until attaining the age of 65; but may receive a reduced allowance after age 60
14 if the member has at least 30 years of creditable service where the allowance shall be reduced, for
15 each month by which the date on which benefits commence precedes the month after which the
16 member attains 65 years of age, by 1/4 of one percent.

17 2 Retirement System; Ordinary Disability Retirement Benefits; Reduction Age. Amend
18 RSA 100-A:6, I(b)(1)(A) and (B) to read as follows:

19 (A) Prior to the member's attainment of [age-65] ***the member's full retirement***
20 ***age for Social Security***, the state annuity, together with the member annuity, shall be equal to
21 1/60 of the member's average final compensation at the time of his ordinary disability retirement
22 multiplied by the number of years of creditable service at the time of his ordinary disability
23 retirement;

24 (B) After attainment of [age-65] ***the member's full retirement age for Social***
25 ***Security***, the state annuity, together with the member annuity, shall be equal to 1/66 of the
26 member's average final compensation at the time of his ordinary disability retirement multiplied by
27 the number of years of creditable service at the time of his ordinary disability retirement;

28 3 Retirement System; Accidental Disability Retirement Benefits; Reduction Age. Amend
29 RSA 100-A:6, I(d)(1)(A) and (B) to read as follows:

30 (A) Prior to the member's attainment of [age-65] ***the member's full retirement***

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1 **age for Social Security**, the state annuity, together with the member annuity, shall be equal to
2 1/60 of the member's average final compensation at the time of his accidental disability retirement
3 multiplied by the number of years of creditable service at the time of his accidental disability
4 retirement;

5 (B) After attainment of [~~age-65~~] **the member's full retirement age for Social**
6 **Security**, the state annuity, together with the member annuity, shall be equal to 1/66 of the
7 member's average final compensation at the time of his accidental disability retirement multiplied by
8 the number of years of creditable service at the time of his accidental disability retirement;

9 4 Effective Date. This act shall take effect 60 days after its passage.

HB 1148-FN FISCAL NOTE

AN ACT relative to the reduction in the calculation of state retirement system annuities at age 65.

FISCAL IMPACT:

The New Hampshire Retirement System states this bill, as introduced, may increase state expenditures by \$810,725 in FY 2016, \$830,000 in FY 2017, and \$860,000 in FY 2018, and increase county and local expenditures by indeterminable amounts in FY 2016 and each year thereafter. There will be no impact on state, county, and local revenue.

METHODOLOGY:

The New Hampshire Retirement System states this bill changes the point at which a Group I member's retirement benefits are reduced. Currently, Group I members receive a reduction in benefits upon reaching age 65. Up until age 65, each Group I member's benefits are equal to 1/60th of the member's average final compensation multiplied by the member's years of creditable service. Upon reaching age 65, the member's benefit is reduced to 1/66th of average final compensation multiplied by years of creditable service. This bill changes the point at which benefits would be reduced from age 65 to the member's full retirement age for Social Security. Because a member's Social Security retirement age may be greater than age 65, the bill will result in the System paying increased benefits to some retirees, which will in turn require an increase in the employer contribution rate. Using the target funding methodology, the System estimates the employer normal rate will increase by 0.14 percent of salary for employee members, and by 0.18 percent for teacher members. (There will be no impact on the contribution rate for Group II police and fire members, as they are unaffected by the bill.) As employer contribution rates have already been determined for the FY 2014/2015 biennium, the System states the increased employer rates will result in increased state expenditures of \$800,000 in FY 2016, \$830,000 in FY 2017, and \$860,000 in FY 2018. The rates will increase county and local expenditures by a total of \$3,110,000 in FY 2016, \$3,230,000 in FY 2017, and \$3,350,000 in FY 2018. In addition, the System states that it will incur increased expenditures as a result of software customizations to the Pension Gold system. The Pension Gold vendor estimates this cost at approximately \$10,725 in FY 2016 only.