

SB 218-FN-LOCAL – AS INTRODUCED

2014 SESSION

14-2625
10/03

SENATE BILL ***218-FN-LOCAL***

AN ACT relative to group I retirement system membership for all members hired on or after July 1, 2014.

SPONSORS: Sen. Reagan, Dist 17; Rep. D. McGuire, Merr 21

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill provides that all employee, teacher, police, and fire members of the retirement system who commence service on or after July 1, 2014 shall be group I members of the retirement system. The bill also removes the exclusion for police and fire members of the retirement system hired on or after July 1, 2014 for eligibility in the 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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

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STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Fourteen

AN ACT relative to group I retirement system membership for all members hired on or after July 1, 2014.

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

1 1 Retirement System; Definition; Permanent Policeman. Amend the introductory paragraph of
2 RSA 100-A:1, VII to read as follows:

3 VII. “Permanent policeman,” for the purposes of membership in group II ***by members who***
4 ***commenced service prior to July 1, 2014***, and other provisions of this chapter, shall mean any
5 person, whether elected or appointed, who is regularly employed on a full-time basis by the state in a
6 job certified by the director of personnel as conforming to the requirements of this paragraph, or by any
7 of its political subdivisions in a job certified by the governing body of the political subdivision as
8 conforming to the requirements of this paragraph, which job shall be in one of the following categories:

9 2 Retirement System; Definition; Permanent Firemen. Amend the introductory paragraph of
10 RSA 100-A:1, VIII to read as follows:

11 VIII. “Permanent fireman,” for the purposes of membership in group II ***by members who***
12 ***commenced service prior to July 1, 2014***, and other provisions of this chapter, shall mean any
13 person, whether elected or appointed, who is regularly employed on a full-time basis by the state in a
14 job certified by the director of personnel as conforming to the requirements of this paragraph, or by any
15 of its political subdivisions in a job certified by the governing body of the political subdivision as
16 conforming to the requirements of this paragraph, which job shall be in one of the following categories:

17 3 Member; Definition. Amend RSA 100-A:1, X to read as follows:

18 X. “Member” shall mean any person included in the membership of the retirement system,
19 as provided in RSA 100-A:3.

20 (a) “Group I members” shall mean employees and teachers. ***Provided that beginning***
21 ***July 1, 2014, all employees, all teachers, permanent policemen who commenced service on***
22 ***or after July 1, 2014, and permanent firemen who commenced service on or after July 1,***
23 ***2014, shall be classified as group I members.***

24 (b) “Group II members” shall mean permanent policemen and permanent firemen ***who***
25 ***commenced service prior to July 1, 2014. Beginning July 1, 2014, permanent policemen and***
26 ***permanent firemen who commence service on or after July 1, 2014 shall not be classified as***
27 ***group II members.***

28 4 Membership; Job Classification. Amend RSA 100-A:3, IX to read as follows:

29 IX. If there is any doubt as to the proper classification of a job in the retirement system, the
30 trustees shall determine whether the person holding the job is an employee, teacher, permanent
31 policeman, or permanent fireman as defined in RSA 100-A:1; provided, however, that a 2/3 vote shall

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1 be required to classify the job in group II [~~and further provided that~~] **for persons employed in that**
2 **job who are in service prior to July 1, 2014.** In the case of a newly-created job held by more than
3 one person, the job shall be classified in group I [~~unless it is explicitly placed in group II by the~~
4 ~~legislation creating the job in the case of a state job, or by a majority vote of the legislative body of~~
5 ~~the political subdivision in the case of a political subdivision job. For the purposes of this paragraph,~~
6 ~~an increase in the number of persons holding a given job with a given employer shall not be~~
7 ~~considered as creation of a new job]. No job shall be reclassified from group I to group II of the
8 retirement system without legislation specifically authorizing a transfer from group I to group II.~~

9 5 Old Age and Survivors Insurance; Police and Fire Members. Amend RSA 101:2, II to read as
10 follows:

11 II. The term “employment” means any service performed by an employee or official in the
12 employ of the state, or any political subdivision thereof, for such employer, except (1) service which in
13 the absence of an agreement entered into under this chapter would constitute “employment” as
14 defined in the Social Security Act; or (2) service which under the Social Security Act may not be
15 included in an agreement between the state and the Commissioner of Social Security entered into
16 under this chapter; or (3) service performed by police and fire members of the New Hampshire
17 retirement system **who for purposes of RSA 100-A commenced service prior to July 1, 2014;** or
18 (4) service of an emergency nature; or (5) service performed by a student as provided in section
19 218(c)(5) of the Social Security Act; or (6) service in any class or classes of positions filled by popular
20 election and any class or classes of positions the compensation for which is on a fee basis, performed
21 (A) by an employee of the state, or (B) as so provided in the plans submitted under RSA 101:5, by a
22 political subdivision of the state, by an employee of such subdivision. Notwithstanding any other
23 provision of this paragraph, a political subdivision of the state may at the option of said political
24 subdivision modify its plans submitted under RSA 101:5 to exclude service performed by an election
25 official or election worker if the remuneration paid in a calendar year for such service is less than
26 \$1,000 commencing on or after January 1, 1995, provided that this limit shall be adjusted by the
27 state agency each calendar year to reflect changes in wages. Notwithstanding any other provision of
28 this paragraph, a political subdivision of the state submitting plans under RSA 101:5, may at the
29 option of said political subdivision include or exclude service performed by an election official or
30 election worker if the remuneration paid in a calendar year for such service is less than the adjusted
31 limit. Service which under the Social Security Act may be included in an agreement only upon
32 certification by the governor in accordance with section 218(d)(3) of that act shall be included in the
33 term “employment” if and when the governor issues, with respect to such service, a certificate to the
34 Commissioner of Social Security pursuant to RSA 101:10, II;

35 6 Effective Date. This act shall take effect July 1, 2014.

SB 218-FN-LOCAL - FISCAL NOTE

AN ACT relative to group I retirement system membership for all members hired on or after July 1, 2014.

FISCAL IMPACT:

The New Hampshire Retirement System states this bill, **as introduced**, will have an indeterminable impact on state, county, and local expenditures 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 provides that all employee, teacher, police, and fire members of the Retirement System who commence service on or after July 1, 2014 shall be Group I members of the System. In addition, the bill removes the exclusion for police and fire members of the retirement system hired on or after July 1, 2014 for eligibility in the Social Security system. The System states that while the bill's overall fiscal impact is indeterminable, employer retirement contribution rates will increase for existing police and fire employees, while lower employee plan rates will be applied to new police and fire hires beginning July 1, 2014. The increase in contribution rates for existing police and fire employees is due to a critical assumption made by the System and its contracted actuary: the System and its actuary assume that police and fire plans will be closed as of June 30, 2014, after which all new police and fire hires will enter the employee plan. Closure of the police and fire plans to new members will necessitate an increase in employer contribution rates for these plans, as employer contributions will need to change from a level percent of payroll to a fixed dollar amount in order to fully fund retirement benefits for existing employees. As employer rates have already been determined for FY 2014 and FY 2015, these increases will not take effect until FY 2016. The System projects the impact on employer rates will be as follows:

**Expected Increase (Decrease) in 2016-17 Police and Fire
Contribution Rates as a Percent of Payroll**

	Police	Fire
Change in Pension Rates	17.09%	13.33%
Change in Medical Subsidy Rates	6.13%	6.13%
Total	23.22%	19.46%

The System projects the dollar impact of these rate changes will be as follows:

**Expected Dollar Increase (Decrease) in
Employer Contributions**

	Police	Fire	Total
FY 2014	\$0	\$0	\$0
FY 2015	\$0	\$0	\$0
FY 2016	\$30,250,000	\$13,260,000	\$43,510,000
FY 2017	\$26,460,000	\$11,490,000	\$37,950,000
FY 2018	\$22,380,000	\$9,600,000	\$31,980,000

The System notes that the fiscal impact shown above is for current police and fire members only; the impact on the normal employee classification is indeterminable and is not shown above. The fiscal impact of hiring new police and fire members at the lower employee rate will emerge over time as new hires enter the employee group. Likewise, the fiscal impact of removing the exclusion on Social Security eligibility for police and fire members hired after July 1, 2014 is indeterminable and is not shown above.