

# Senate Executive Departments and Administration Committee

*Kevin Condict 271-7875*

**SB 309-FN**, relative to the vesting period for members of the state retirement system.

**Hearing Date:** January 31, 2024

**Time Opened:** 9:52 a.m.

**Time Closed:** 10:15 a.m.

**Members of the Committee Present:** Senators Pearl, Carson, Gendreau, Perkins Kwoka and Altschiller

**Members of the Committee Absent :** None

**Bill Analysis:** This bill changes the vesting period for retirement system benefits from 10 years to 5 years.

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**Sponsors:**

Sen. Soucy

Sen. Gray

Sen. Watters

Sen. Bradley

Rep. Leishman

Rep. C. McGuire

Rep. Packard

Rep. Wilhelm

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**Who supports the bill:** In total, **67** individuals signed in in support of SB 309-FN. The full sign in sheets are available upon request to the Legislative Aide, Kevin Condict (kevin.condict@leg.state.nh.us).

**Who opposes the bill:** Julie Smith.

**Who is neutral on the bill:** None.

**Summary of testimony presented:**

**Senator Donna Soucy, Senate District 18**

- Senator Soucy introduced Senate Bill 309-FN.
- Sen. Soucy explained that last year's budget discussion resulted in the creation of a study commission. One of the results of that commission was a proposal to change the vesting period, which is currently at ten years, down to five years. She said that recommendation was unanimously recommended by the

commission. She said there was a great deal of discussion around the workforce shortage issue during the commission's meetings.

- Sen. Soucy said the proposed change to the vesting period is rather insignificant in terms of dollars but is significant to the individuals impacted. She said the change is seen as an important step to helping employee retention.
- Sen. Soucy explained that when people go into a new job, and it is hard to think of a pension because it is so far in the future; they end up leaving for more money in the short term. Those people do not see the likelihood of attaining the benefit.
- Sen. Soucy said that changing the vesting period would increase retention and recruitment.
- Sen. Soucy said the bill would have no impact on the current biennium because rates have already been set. The change would go into effect going forward.

### **Marty Karlon, New Hampshire Retirement System**

- Mr. Karlon stated that the New Hampshire Retirement System (NHRS) has no position on the bill.
- Mr. Karlon explained to become vested means that you have earned the right to a future benefit. It does not immediately grant a benefit. He said that vestment happens when a person crosses a line, in terms of age or other service requirements.
- Mr. Karlon said someone could earn a pension after ten years, and even if they terminate employment and move out of state, they can still collect the benefit once they age into eligibility if their contributions are still with the NHRS.
- He said the bill would change the vesting period for other benefits in statute as well.
- Mr. Karlon stated more people than expected under current law would be eligible for a benefit. He said there is a long-term cost associated with the bill. He said the most expensive rate increase would be for the employee group, and that would increase by about 0.17 percent of pay. He said this is because employees in New Hampshire tend to be older and thus closer to retirement age.
- Mr. Karlon said the National Association of State Retirement Administrators (NASRA) maintains charts on what other systems are doing. He noted that the NHRS is one of twenty-five, out of a hundred and five statewide retirement plans, that has its vesting period at ten years. The majority of plans nationwide have five-year vesting periods. Maine and Vermont have five-year vesting periods, while Massachusetts, Rhode Island and Connecticut have ten-year vesting periods for people hired after 2011.
- Mr. Karlon said the NHRS read SB 309-FN as prospective, so anyone in the system right now who has more than five and less than nine years accumulated would become vested if the bill were to pass. Someone who worked five years previously and is retired would not be vested. If the intent is to include those people, then mandatory language would need to be added to the bill. He noted that including those retirees would increase the cost of the bill.

- Mr. Karlon said that people who have terminated employment and are no longer active members have options with their accumulated contributions. He said it is their money, which they put into the system, so they can take a lump sum out. They can also roll that money into another program or leave the sum with the NHRS. He said there is no contribution match that a terminated employee has a right to from the employer.

### **Bob Fuller**

- Mr. Fuller explained he was the National Education Association's (NEA) appointed member of the retirement commission. He said he brought this policy to the commission.
- Mr. Fuller said that much of what was discussed by the commission regarded attraction and retention of state workers.
- He provided an example of teachers, many of whom enter the profession as a second career. He said the ten-year vesting period is too long for many of those folks. By reducing the vesting period, it makes the prospect of entering the profession more attractive to those older people.
- Mr. Fuller noted the vesting period of other New England states. He said that if New Hampshire were to lose workers, it would most likely be to surrounding states. He said that bringing the vesting period in closer alignment with surrounding states would make New Hampshire more competitive.
- Mr. Fuller stated that if the costs of the bill is drawn out over a long period of time, the costs become marginal and are outweighed by the benefits.
- Mr. Fuller said that attracting and training new employees is difficult and costly. By retaining good workers, it saves employers that cost.
- Mr. Fuller said that SB 309-FN will not solve all the issues the retirement commission discussed, but it is a prudent step forward to make the system better.
- Sen. Carson asked if teachers are tenured at five years.
  - o Mr. Fuller said that they are.
- Sen. Carson asked if it would be advantageous to have teachers tenured and vested into the retirement system at the same time. She asked if that would be more attractive as a benefits package.
  - o Mr. Fuller said that he believes so. He said that aligning those two benefits at five years would make sense.
- Sen. Gendreau asked if there is an idea of how many older people are making teaching their second career.
  - o Mr. Fuller said he does not have numbers, but the number has increased in recent years. He said that number would increase more if the state worked to make it a more attractive option.
- Sen. Gendreau asked if the state is retaining people who make teaching their second career.
  - o Mr. Fuller said he cannot speak to retention. He said retention is down across the board, particularly with teachers. He said that is a national

issue and that the job has changed since the pandemic. He said anything the state can do will help retention.

**John McAllister, Professional Fire Fighters of New Hampshire**

- Mr. McAllister stated that the Professional Fire Fighters of New Hampshire (PFFNH) support SB 309-FN.
- Mr. McAllister stated that SB 309-FN would help improve retention and recruitment, which the PFFNH have come to the committee to discuss many times.
- Mr. McAllister said he has seen many changes in his last twenty-five years as a firefighter. He said the 2011 changes to benefits were sweeping for members that were on the job but not yet vested. He said members who had dedicated nine years of their lives to New Hampshire's safety had their benefits changed. This bill would reduce the likelihood of that happening again in the future.

**Cathy Stacey, New Hampshire Association of Counties**

- Ms. Stacey stated the New Hampshire Association of Counties' (NHAC) support for SB 309-FN.
- Ms. Stacey said there are significant recruiting problems in the field of corrections at the county level. She said if the vesting period were shorter, then younger people would view the job as more attractive. She said that ten years seems like an eternity when someone is young.

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Date Hearing Report completed: February 6, 2024