

REGULAR CALENDAR

March 20, 2024

HOUSE OF REPRESENTATIVES

REPORT OF COMMITTEE

The Minority of the Committee on Finance to which was referred HB 1279-FN-LOCAL,

AN ACT relative to payment by the state of a portion of retirement system contributions of political subdivision employers. Having considered the same, and being unable to agree with the Majority, report with the recommendation that the bill OUGHT TO PASS.

Rep. Chuck Grassie

FOR THE MINORITY OF THE COMMITTEE

MINORITY COMMITTEE REPORT

Committee:	Finance
Bill Number:	HB 1279-FN-LOCAL
Title:	relative to payment by the state of a portion of retirement system contributions of political subdivision employers.
Date:	March 20, 2024
Consent Calendar:	REGULAR
Recommendation:	OUGHT TO PASS

STATEMENT OF INTENT

This bill requires the state to pay 7.5 percent of the normal and accrued liability contributions of the political subdivision retirement employers for group I teachers as well as group II (police and fire) members beginning in FY 2025. The intention of this bill is to alleviate the burden of the sole contribution by all participating municipalities in the New Hampshire Retirement System (NHRS), thus relieving the tax burden to the citizens when the state removed its obligation as a co-contributor to the NHRS system. This bill is a partial, prudent, and conservative attempt to reconstruct the state obligation. It is not at the original agreed to rate of 35% that was paid in the 1970's, but at a sensible rate of 5% relieving the applied tax to municipalities and their taxpayers this reduction inadvertently caused. To make a fair decision on this matter a brief overview and explanation is needed of the original agreement between the state and the contributing municipalities. NHRS was founded in 1967 from a combination of four existing retirement groups, Fire, Police, Teachers, and employees (e.g. state and local workers). Teachers and employees became known as group I, fire and police became known as group II. To entice municipalities to become contributing members, the state agreed to pay 40% of the shared costs in 1967. It was changed in the 1970's to what many of us remember of 35% of the shared costs. It remained under this agreement until 2010 when it was amended again to 30% then again amended to 25%, then further reduced to the current funding of zero. In 2012 it was understood by many of the municipalities that in 2012 it was supposed to be reinstated to 35%, but it was eliminated in the 2011 budget process which brings us to our current funding level of zero. Although changes were made over the years, at no time was it understood by the municipalities that this agreement by the state came with a sunset or termination date. Instead, it was understood that the state would continue as contributing partner in perpetuity. If municipalities had known in 1967 that the state would not fund their contributions, perhaps a different opinion would have been expressed by the municipalities at that time with legislation to continue the partnership. If one thinks that this elimination of the state's contribution responsibility was the panacea to the unfunded actuarial accrued liability (UAAL) they would be mistaken, for the UAAL still exists and other legislation was introduced to adjust that issue. In summary, the state walked away from being a contributing partner, which has led to a promise made and a promise unkept. Currently the state makes no contributions leaving the municipalities and taxpayers holding the bag and in essence a tax of 35% to member municipalities. This bill has the support of your municipal government expressed through the New Hampshire Municipal Association (NHMA). If you have employees in the NHRS, please just go ask your mayors, town administrators or other town officials if your community is feeling the pinch this downsizing has caused. So, you may then ask what is the solution? It is the adoption of this bill, which is a judicious and prudent attempt to compromise the absence of the state's contribution, not to the full 35%, but at a more practical 7.5%,

Original: House Clerk

Cc: Committee Bill File

and providing the 2012 intention of reinstating 35% that was eliminated in HB 2: Chapter 224, Laws of 2011, thus alleviating the inadvertent tax levied upon our constituents. This bill has the support of most communities in our state.

Rep. Chuck Grassie
FOR THE MINORITY

Original: House Clerk
Cc: Committee Bill File

REGULAR CALENDAR

Finance

HB 1279-FN-LOCAL, relative to payment by the state of a portion of retirement system contributions of political subdivision employers. **OUGHT TO PASS.**

Rep. Chuck Grassie for the **Minority** of Finance. This bill requires the state to pay 7.5 percent of the normal and accrued liability contributions of the political subdivision retirement employers for group I teachers as well as group II (police and fire) members beginning in FY 2025. The intention of this bill is to alleviate the burden of the sole contribution by all participating municipalities in the New Hampshire Retirement System (NHRS), thus relieving the tax burden to the citizens when the state removed its obligation as a co-contributor to the NHRS system. This bill is a partial, prudent, and conservative attempt to reconstruct the state obligation. It is not at the original agreed to rate of 35% that was paid in the 1970's, but at a sensible rate of 5% relieving the applied tax to municipalities and their taxpayers this reduction inadvertently caused. To make a fair decision on this matter a brief overview and explanation is needed of the original agreement between the state and the contributing municipalities. NHRS was founded in 1967 from a combination of four existing retirement groups, Fire, Police, Teachers, and employees (e.g. state and local workers). Teachers and employees became known as group I, fire and police became known as group II. To entice municipalities to become contributing members, the state agreed to pay 40% of the shared costs in 1967. It was changed in the 1970's to what many of us remember of 35% of the shared costs. It remained under this agreement until 2010 when it was amended again to 30% then again amended to 25%, then further reduced to the current funding of zero. In 2012 it was understood by many of the municipalities that in 2012 it was supposed to be reinstated to 35%, but it was eliminated in the 2011 budget process which brings us to our current funding level of zero. Although changes were made over the years, at no time was it understood by the municipalities that this agreement by the state came with a sunset or termination date. Instead, it was understood that the state would continue as contributing partner in perpetuity. If municipalities had known in 1967 that the state would not fund their contributions, perhaps a different opinion would have been expressed by the municipalities at that time with legislation to continue the partnership. If one thinks that this elimination of the state's contribution responsibility was the panacea to the unfunded actuarial accrued liability (UAAL) they would be mistaken, for the UAAL still exists and other legislation was introduced to adjust that issue. In summary, the state walked away from being a contributing partner, which has led to a promise made and a promise unkept. Currently the state makes no contributions leaving the municipalities and taxpayers holding the bag and in essence a tax of 35% to member municipalities. This bill has the support of your municipal government expressed through the New Hampshire Municipal Association (NHMA). If you have employees in the NHRS, please just go ask your mayors, town administrators or other town officials if your community is feeling the pinch this downsizing has caused. So, you may then ask what is the solution? It is the adoption of this bill, which is a judicious and prudent attempt to compromise the absence of the state's contribution, not to the full 35%, but at a more practical 7.5%, and providing the 2012 intention of reinstating 35% that was eliminated in HB 2: Chapter 224, Laws of 2011, thus alleviating the inadvertent tax levied upon our constituents. This bill has the support of most communities in our state.

Original: House Clerk

Cc: Committee Bill File