

# Senate Executive Departments and Administration Committee

*Phil Jasak 271-1403*

**SB 205-FN**, relative to a cost of living adjustment in the state retirement system.

**Hearing Date:** February 15, 2023

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

**Members of the Committee Absent :** None

**Bill Analysis:** This bill grants a cost of living adjustment to retirees who have been retired for at least 60 months. The total actuarial cost of the supplemental allowance is funded by retirement system funds.

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**Sponsors:**

Sen. D'Allesandro	Sen. Perkins Kwoka	Sen. Watters
Sen. Rosenwald	Sen. Altschiller	Sen. Soucy
Sen. Whitley	Sen. Fenton	Sen. Chandley
Sen. Ricciardi	Sen. Prentiss	Rep. Leishman
Rep. Ellison		

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**Who supports the bill:** Sen. D'Allessandro, Sen. Perkins Kwoka, Sen. Rosenwald, Sen. Soucy, Sen. Watters, Arthur Beaudry (NHPFFRA), Karen Irwin, Sandra Amlaw (NHREA), Brian Ryll (PFFNH), Rich Gulla (SEA), Cullen Tiernan (SEA SEIU 9184), Elizabeth Sargent (NHACP), (remaining 53 names are available upon request form the committee aide).

**Who opposes the bill:** Julie Smith, Cindy Kudlick, Katherine Heck (NHMA)

**Who is neutral on the bill:** Mark Cavanaugh (NHRS)

**Summary of testimony presented:**

Sen. Perkins Kwoka for Sen. D'Allesandro

- Senator Perkins Kwoka stated that this bill grants a cost-of-living adjustment for retirees who have been retired for at least sixty months. She furthered by explaining that the supplemental allowance is funded by retirement system funds.

- Senator Perkins Kwoka acknowledged the importance of state employees and their effect on a well-functioning government. She continued that inflationary pressures are affecting how these state employees make decisions on what to spend money on and stated that this COLA is a small step towards helping our retirees who dedicated themselves to public service in regard to the current economic situation.

#### Arthur Beaudry

- Mr. Beaudry provided background on the history of COLA legislature. He furthered that COLA's ranged from a 1%-5% increase based on the CPIU, funds available, and funds available in member group account.
- Mr. Beaudry noted that the legislature eliminated the special account from 2007-2012 which was used to provide COLA's. This elimination of this special account has prevented any further COLA's being granted to the New Hampshire Retirement System for Retirees. This has resulted in retirees having received one COLA since 2010.
- Mr. Beaudry brought up that Police Officers and Firefighters, (group 2), do not receive social security and therefore the New Hampshire Retirement System Pension is their primary source of income. Mr. Beaudry continued that 95% of New Hampshire retirees earn less than \$50,000, because of the cap mechanism on the COLA.
- Mr. Beaudry explained that the cost of living, per the CPIU, has increased by 29.3% while COLAs granted to the New Hampshire Retirement System for Retirees in the same time has increased by 1.5%. He continued to explain, using a report by NASRA, the effect that income has on purchasing power over a twenty-year period.
- Mr. Beaudry compared New Hampshire's lack of a COLA system to neighboring states and their usage of COLA's based on a specific percentage or on the CPIU.
- Mr. Beaudry noted that the special account contained \$337 million which was dedicated to retirees before it was eliminated, and funds diverted.
- Mr. Beaudry urged the committee to pass this bill.
- Mr. Beaudry recommends that the implementation language, "On the retired member's first anniversary date occurring on or after July 1, 2024." Be changed to "On the retired member's first anniversary date occurring.

#### Karen Irwin

- Ms. Irwin asked that everyone receive a minimum of 500 dollars instead of just a percentage so anyone earning less than 33,500 would get at least \$500. She added that she thinks they should raise funds from the state to pay for it.

Sandra Amlaw

- Ms. Amlaw added that the increased costs of living leave many retirees with inadequate resources and urged the committee to vote OTP.

Brian Ryll:

- Mr. Ryll said that we need to consider the role that retirees play in our communities. He added that state and local pensions paid nearly 80 million dollars which represents about 1.4 billion in economic output. He then said that 94% of retirees make less than 50k which puts them close to the federal poverty line.
- Mr. Ryll then added that firefighters are not eligible for social security and over the last 20 years there has been about 62% inflation, but firefighters only received a 12% increase in benefits.

Rich Gulla

- Mr. Gulla said that the cost of living for older Americans has risen faster because of healthcare and drug inflation and that retired state employees deserve a predictable retirement benefit, so they do not have to worry as much about inflation.

Mark Cavanaugh:

- Mr. Cavanaugh stated that this would be a 119.3 million dollar price tag that would be paid over time by increases in contribution rates.

Brian Hawkins:

- Mr. Hawkins stated that the teachers group makes up more than a 3<sup>rd</sup> of the pension system and the average teacher's pension is just over 23k with a median of about 18k. he added that 93% are under 50k and 69% is under 25k.
- Mr. Hawkins then said that this is part of the workforce issue because surrounding states have these adjustments built into law but NH does not. He added that most states have an automatic COLA or an automatic trigger for COLAs.
- Sen. Gendreau asked if when a person retires where do the medical benefits come from
  - Mr. Hawkins answered that it varies based on the group and employer. Some allow you to buy your own medical plan.
  - Sen. Gendreau asked if it is funded by the retiree or the state.
  - Hawkins answered with teachers it is the retiree themselves.
- Sen. Altschiller asked which states have these automatic COLA's.
  - Mr. Hawkins said that Maine has it, Massachusetts has something similar, and that he thinks Vermont has one but he would have to confirm if the committee desires.

PJ

Date Hearing Report completed: February 21, 2023