

HB 436-FN-LOCAL - AS INTRODUCED

2023 SESSION

23-0713

10/08

HOUSE BILL

***436-FN-LOCAL***

AN ACT                   relative to group II retirement under transition provisions in the retirement system.

SPONSORS:           Rep. Pratt, Rock. 4

COMMITTEE:       Executive Departments and Administration

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ANALYSIS

This bill adjusts the application of the minimum age, minimum years of service, and annuity multipliers in the transition provisions for group II service retirement adopted in 2011 to be applicable as of January 1, 2014 rather than January 1, 2012.

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Explanation:       Matter added to current law appears in ***bold italics***.  
                      Matter removed from current law appears ~~[in brackets and struckthrough]~~  
                      Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 Twenty Three*

AN ACT                    relative to group II retirement under transition provisions in the retirement system.

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

1            1 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted  
 2 in 2011 to Members in Vested Status. Amend the following RSA provisions by replacing the term  
 3 "January 1, 2012" with the term "January 1, 2014": 21-I:30, VIII; 100-A:1, XVII(a); 100-A:1,  
 4 XVII(b)(1); 100-A:1, XVIII(a); 100-A:1, XVIII(b)(1) and (2); 100-A:1, XXXVII (b)(1) and (3); 100-A:5,  
 5 II(a); 100-A:5, II(b)(2); 100-A:5, II(c)(1); 100-A:6, II(b); 100-A:6, II(d)(1) and (3); 100-A:6-a; 100-A:10,  
 6 II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); 100-A:19-d.

7            2 Retirement System; Service Retirement; Transition Provisions for Group II; Minimum Service;  
 8 Age, Annuity Multipliers. Amend RSA 100-A:5, II(d) to read as follows:

9                    (d) Active group II members who commenced service prior to July 1, 2011 and who have  
 10 not attained vested status prior to January 1, ~~2012~~ **2014** shall be subject to the following transition  
 11 provisions for years of service required for regular service retirement, the minimum age for regular  
 12 service retirement, and the multiplier used to calculate the retirement annuity, which shall be  
 13 applicable on or after January 1, ~~2012~~ **2014** according to the following table:

Creditable service on	Minimum years	Minimum	Annuity
January 1, 2012	of service	age attained	multiplier
(1) Less than 4 years	<del>[24]</del> <b>23</b>	age <del>[49]</del> <b>48</b>	<del>[2.1%]</del> <b>2.2%</b>
(2) At least 4 years	<del>[23]</del> <b>22</b>	age <del>[48]</del> <b>47</b>	<del>[2.2%]</del> <b>2.3%</b>
but less than 6 years			
(3) At least 6 years but	<del>[22]</del> <b>21</b>	age <del>[47]</del> <b>46</b>	<del>[2.3%]</del> <b>2.4%</b>
less than 8 years			
<del>[(4) At least 8 years but</del>	<del>21</del>	age <del>46</del>	<del>2.4%</del>
<del>less than 10 years]</del>			

23            3 Effective Date. This act shall take effect December 1, 2024.

**HB 436-FN-LOCAL- FISCAL NOTE**  
**AS INTRODUCED**

AN ACT relative to group II retirement under the retirement system.

**FISCAL IMPACT:**    ☒ State                    ☒ County                    ☒ Local                    ☐ None

STATE:	Estimated Increase / (Decrease)			
	FY 2023	FY 2024	FY 2025	FY 2026
<b>Appropriation</b>	\$0	\$0	\$0	\$0
<b>Revenue</b>	\$0	\$0	\$0	\$0
<b>Expenditures</b>	\$0	\$165,000+		\$2,820,000
<b>Funding Source:</b>	<input checked="" type="checkbox"/> General	<input type="checkbox"/> Education	<input type="checkbox"/> Highway	<input type="checkbox"/> Other

**POLITICAL  
SUBDIVISIONS:**

<b>Revenue</b>	\$0	\$0	\$0	\$0
<b>Expenditures</b>	\$0	\$0	\$0	\$12,520,000

\*The New Hampshire Retirement System states it is not able to separate the fiscal impact of this legislation between county and local government, therefore the fiscal impact is shown together as political subdivisions.

**METHODOLOGY:**

This bill adjusts the application of the minimum age, minimum years of service, and annuity multipliers in the transition provisions for group II service retirement adopted in 2011 to be applicable as of January 1, 2014 rather than January 1, 2012. This bill also changes the definition of the terms "earnable compensation" and "average final compensation" under RSA 100-A:1, XVII and XVIII, respectively, by changing the applicable vested date from January 1, 2012 to January 1, 2014. These changes would be applicable to both Group I and Group II members and would effect reinstating certain types of earnable compensation that had been previously excluded. It changes the calculation of the pension benefit from high 5 years to high 3 years for all members who became vested between January 1, 2012 and December 31, 2013.

The NHRS actuary states since contributions rates for FY 2024-2025 have been certified they are not subject to change and there will be no fiscal impact in FY 2024-2025. The NHRS actuary states the FY 2026-2027 contribution rates will be set using the June 30, 2023 valuation. Since the rates for the 2026-2027 biennium are unknown at this time, only the net impact for FY 2026 is shown. It should be noted the fiscal impact of this bill will go well beyond FY 2026

**STATE**

<b>Increase (Decrease) in Employer Pension Rates as a Percent of Payroll</b>	
	<b>Net Impact of Proposal</b>
Employees	0.17%
Police	1.49%
Fire	2.39%

<b>Expected Employer Dollar Increase (Decrease) Due to Proposal</b>				
	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
Employees	-	-	-	\$1,140,000
Police	-	-	-	\$1,570,000
Fire	-	-	-	<u>\$110,000</u>
<b>TOTAL</b>	\$0	\$0	\$0	\$2,820,000

**POLITICAL SUBDIVISIONS**

**Increase (Decrease) in Employer Pension Rates  
as a Percent of Payroll**

	<b>Net Impact of Proposal</b>
Employees	0.17%
Teachers	0.24%
Police	1.49%
Fire	2.39%

<b>Expected Employer Dollar Increase (Decrease) Due to Proposal</b>				
	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
Employees	-	-	-	\$1,390,000
Teachers	-	-	-	\$3,210,000
Police	-	-	-	\$4,020,000
Fire	-	-	-	<u>\$3,900,000</u>
<b>TOTAL</b>	\$0	\$0	\$0	\$12,520,000

The NHRS actuary projects an increase in the actuarial accrued liability by \$133.6 million based on the provisions in the bill and will be amortized over a fixed period of no longer than 20-years.

The NHRS states the proposed changes in the bill will involve significant administrative costs relating to reprogramming of the pension administration system, revisions to administrative

procedures and staff training which will result in an indeterminable increase in expenditures. The NHRS also states they are currently in the process of upgrading the pension administration system and the proposed changes would require updates to the current and future systems with \$64,000 in reprogramming costs for the current system and \$101,000 for the future system starting in FY 2024. In addition, the NHRS states the changes could delay the implementation of the new system by an indeterminable time and any related staffing, professional and consultant expenses are not included in this estimate of programming costs. Lastly, the NHRS indicates the change in the definition to the earnable compensation will require substantial reeducation regarding the proper reporting to NHRS and revisions to training materials and numerous interpretive memorandums that provide guidance to employers. NHRS state the changes will also result in possible significant costs to 461+ participating employers relating to reprogramming of employer payroll systems all of which is an indeterminable increase in expenditures.

**AGENCIES CONTACTED:**

New Hampshire Retirement System