

SB 57-FN - AS INTRODUCED

2023 SESSION

23-0901

07/08

SENATE BILL

57-FN

AN ACT relative to the reduction in the calculation of state retirement annuities at age 65.

SPONSORS: Sen. D'Allesandro, Dist 20; Sen. Watters, Dist 4; Sen. Rosenwald, Dist 13; Sen. Soucy, Dist 18; Sen. Innis, Dist 7; Sen. Avar, Dist 12; Sen. Whitley, Dist 15

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill provides for the application of the reduction of a retiree's annuity at the member's full retirement age under the federal Social Security system.

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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 the reduction in the calculation of state retirement annuities at age 65.

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

1 1 Retirement System; Service Retirement Benefits; Reduction Age. Amend RSA 100-A:5, I(b) to
2 read as follows:

3 (b) Upon service retirement, an employee member or teacher member of group I shall
4 receive a service retirement allowance which shall consist of a member annuity which shall be the
5 actuarial equivalent of the member's accumulated contributions at the time of retirement, and a
6 state annuity. Prior to the member's attainment of [~~age-65~~] ***the member's full retirement age for***
7 ***Social Security***, the state annuity, together with the member annuity, shall be equal to 1/60 of the
8 member's average final compensation multiplied by the number of years of creditable service. After
9 attainment of [~~age-65~~] ***the member's full retirement age for Social Security***, the state annuity,
10 together with the member annuity, shall be equal to 1/66 of the member's average final
11 compensation multiplied by the number of years of creditable service. Provided, however, that a
12 group I member who commenced service on or after July 1, 2011 shall not receive a service
13 retirement allowance until attaining the age of 65; but may receive a reduced allowance after age 60
14 if the member has at least 30 years of creditable service where the allowance shall be reduced, for
15 each month by which the date on which benefits commence precedes the month after which the
16 member attains 65 years of age, by 1/4 of one percent.

17 2 Retirement System; Ordinary Disability Retirement Benefits; Reduction Age. Amend RSA
18 100-A:6, I(b)(1)(A) and (B) to read as follows:

19 (A) Prior to the member's attainment of [~~age-65~~] ***the member's full retirement***
20 ***age for Social Security***, the state annuity, together with the member annuity, shall be equal to
21 1/60 of the member's average final compensation at the time of his or her ordinary disability
22 retirement multiplied by the number of years of creditable service at the time of his or her ordinary
23 disability retirement;

24 (B) After attainment of [~~age-65~~] ***the member's full retirement age for Social***
25 ***Security***, the state annuity, together with the member annuity, shall be equal to 1/66 of the
26 member's average final compensation at the time of his or her ordinary disability retirement
27 multiplied by the number of years of creditable service at the time of his or her ordinary disability
28 retirement;

29 3 Retirement System; Accidental Disability Retirement Benefits; Reduction Age. Amend RSA
30 100-A:6, I(d)(1)(A) and (B) to read as follows:

1 (A) Prior to the member's attainment of [~~age-65~~] *the member's full retirement*
2 *age for Social Security*, the state annuity, together with the member annuity, shall be equal to
3 1/60 of the member's average final compensation at the time of his or her accidental disability
4 retirement multiplied by the number of years of creditable service at the time of his or her accidental
5 disability retirement;

6 (B) After attainment of [~~age-65~~] *the member's full retirement age for Social*
7 *Security*, the state annuity, together with the member annuity, shall be equal to 1/66 of the
8 member's average final compensation at the time of his or her accidental disability retirement
9 multiplied by the number of years of creditable service at the time of his or her accidental disability
10 retirement;

11 4 Effective Date. This act shall take effect 60 days after its passage.

SB 57-FN- FISCAL NOTE
AS INTRODUCED

AN ACT relative to the reduction in the calculation of state retirement annuities at age 65.

FISCAL IMPACT: ☒ State ☒ County ☒ Local ☐ None

STATE:	Estimated Increase / (Decrease)			
	FY 2023	FY 2024	FY 2025	FY 2026
Appropriation	\$0	\$0	\$0	\$0
Revenue	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$1,410,000
Funding Source:	<input checked="" type="checkbox"/> General <input type="checkbox"/> Education <input checked="" type="checkbox"/> Highway <input checked="" type="checkbox"/> Other - Various State Funds			

**POLITICAL
SUBDIVISIONS:**

Revenue	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$5,740,000

*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 would provide for the application of the statutory recalculation of a Group I (employee or teacher) retiree's annuity at the member's full retirement age under the federal Social Security system, rather than at age 65.

The New Hampshire Retirement System (NHRS) states they assumed, for the purpose of this analysis, and instructed the actuary to assume the bill would become effective on July 1, 2023, as the language of this bill states it would take effect 60 days after passage, and therefore apply to group I members who retire on or after July 1, 2023. NHRS's 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 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 IMPACT

Increase (Decrease) in Employer Pension Rates as a Percent of Payroll	
	Net Impact of Proposal
Employees	0.21%
Police	0.00%
Fire	0.00%

Expected Employer Dollar Increase (Decrease) Due to Proposal				
	FY 2023	FY 2024	FY 2025	FY 2026
Employees	-	-	-	\$1,410,000
Police	-	-	-	\$0
Fire	-	-	-	<u>\$0</u>
TOTAL	\$0	\$0	\$0	\$1,410,000

POLITICAL SUBDIVISIONS IMPACT

Increase (Decrease) in Employer Pension Rates as a Percent of Payroll	
	Net Impact of Proposal
Employees	0.21%
Teachers	0.30%
Police	0.00%
Fire	0.00%

Expected Employer Dollar Increase (Decrease) Due to Proposal				
	FY 2023	FY 2024	FY 2025	FY 2026
Employees	-	-	-	\$1,720,000
Teachers	-	-	-	\$4,020,000
Police	-	-	-	\$0
Fire	-	-	-	<u>\$0</u>
TOTAL	\$0	\$0	\$0	\$5,740,000

The NHRS actuary projects an increase in the actuarial accrued liability by \$45 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 administrative costs relating to reprogramming of the pension administration system 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 and procedures increasing administrative costs and challenges.

AGENCIES CONTACTED:

New Hampshire Retirement System