

SB 205-FN - AS INTRODUCED

2023 SESSION

23-0902

07/10

SENATE BILL

***205-FN***

AN ACT

relative to a cost of living adjustment in the state retirement system.

SPONSORS:

Sen. D'Allesandro, Dist 20; Sen. Perkins Kwoka, Dist 21; Sen. Watters, Dist 4; Sen. Rosenwald, Dist 13; Sen. Altschiller, Dist 24; Sen. Soucy, Dist 18; Sen. Whitley, Dist 15; Sen. Fenton, Dist 10; Sen. Chandley, Dist 11; Sen. Ricciardi, Dist 9; Sen. Prentiss, Dist 5; Rep. Leishman, Hills. 33; Rep. Ellison, Merr. 28

COMMITTEE:

Executive Departments and Administration

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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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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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 a cost of living adjustment in the state retirement system.

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

1            1 New Section; Retirement System; Cost of Living Adjustment. Amend RSA 100-A by inserting  
2 after section 41-e the following new section:

3            100-A:41-f Cost of Living Adjustment; Supplemental Allowance.

4            I. Any retired member of the New Hampshire retirement system or any of its predecessor  
5 systems, who has been retired for at least 60 months prior to or on July 1, 2023, or any beneficiary of  
6 such member who is receiving an allowance, shall be entitled to receive a cost of living adjustment  
7 (COLA) as a supplemental allowance, on the retired member's first anniversary date occurring on or  
8 after July 1, 2024. The amount of such supplemental allowance shall be 1-1/2 percent of a member's  
9 or beneficiary's annual retirement allowance which is \$50,000 or less, or otherwise 1-1/2 percent of  
10 the first \$50,000 of a retired member's or beneficiary's allowance.

11            II. The total actuarial cost of the supplemental allowance under paragraph I, as determined  
12 by the actuary and certified by the board of trustees of the retirement system, shall be terminally  
13 funded from the state annuity accumulation fund.

14            III. The supplemental allowance shall become a permanent addition to the beneficiary's base  
15 retirement allowance and shall be included in the monthly annuity paid to the retired member, or to  
16 the member's beneficiary if the member is deceased and the beneficiary is receiving an allowance  
17 under RSA 100-A:8, 100-A:9, 100-A:12, 100-A:13, or similar provisions of predecessor systems.

18            2 Effective Date. This act shall take effect July 1, 2023.

**SB 205-FN- FISCAL NOTE**  
**AS INTRODUCED**

AN ACT relative to a cost of living adjustment in the state 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   | \$0     | \$0     | \$2,130,000 |
| <b>Funding Source:</b> | <input type="checkbox"/> General <input type="checkbox"/> Education <input type="checkbox"/> Highway <input checked="" type="checkbox"/> Other -<br>State Annuity Accumulation Fund |         |         |             |

**POLITICAL  
SUBDIVISIONS:**

|                     |     |     |     |             |
|---------------------|-----|-----|-----|-------------|
| <b>Revenue</b>      | \$0 | \$0 | \$0 | \$0         |
| <b>Expenditures</b> | \$0 | \$0 | \$0 | \$8,760,000 |

**METHODOLOGY:**

This bill grants a cost of living adjustment to any retired member in the New Hampshire Retirement System who have been retired for at least 60 months prior to July 1, 2023 or to any beneficiary of a retiree who is receiving an allowance. The supplemental allowance would be 1.5% of the first \$50,000 of a retired member's or beneficiary's allowance and payable beginning on the retired member's first anniversary date occurring on or after July 1, 2024. The supplemental allowance will become a permanent addition to the beneficiary's base retirement allowance and shall be terminally funded from the State Annuity Accumulation Fund.

The New Hampshire Retirement System's actuary provided valuations based upon data used in the annual actuarial valuation as of June 30, 2021. The valuation assumes an annual rate of interest of 6.75 percent, wage inflation of 2.75 percent per year and uses the entry-age actuarial cost valuation method. The Actuary states the FY 2026-2027 contribution rates will be set using the June 30, 2023 valuation and may differ from the impact below. The allocation of this benefit is estimated as follows:

**STATE IMPACT**

| Increase (Decrease) in Employer Pension Rates as a Percent of Payroll |                        |
|---|------------------------|
|   | Net Impact of Proposal |
| Employees   | 0.23%                  |
| Police  | 0.54%                  |
| Fire  | 0.53%                  |

| Expected Employer Dollar Increase (Decrease) Due to Proposal |         |         |         |                 |
|--|---------|---------|---------|-----------------|
|  | FY 2023 | FY 2024 | FY 2025 | FY 2026         |
| Employees  | -       | -       | -       | \$1,540,000     |
| Police   | -       | -       | -       | \$570,000       |
| Fire   | -       | -       | -       | <u>\$20,000</u> |
| <b>TOTAL</b>   | \$0     | \$0     | \$0     | \$2,130,000     |

#### POLITICAL SUBDIVISION IMPACT

| Increase (Decrease) in Employer Pension Rates as a Percent of Payroll |                        |
|---|------------------------|
|   | Net Impact of Proposal |
| Employees   | 0.23%                  |
| Teachers  | 0.34%                  |
| Police  | 0.54%                  |
| Fire  | 0.53%                  |

| Expected Employer Dollar Increase (Decrease) Due to Proposal |         |         |         |                  |
|--|---------|---------|---------|------------------|
|  | FY 2023 | FY 2024 | FY 2025 | FY 2026          |
| Employees  | -       | -       | -       | \$1,890,000      |
| Teachers   | -       | -       | -       | \$4,550,000      |
| Police   | -       | -       | -       | \$1,460,000      |
| Fire   | -       | -       | -       | <u>\$860,000</u> |
| <b>TOTAL</b>   | \$0     | \$0     | \$0     | \$8,760,000      |

The NHRS actuary projects an increase in the actuarial accrued liability by \$119.3 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. 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