

Senate Executive Departments and Administration Committee

Cameron Lapine 271-2104

HB 141-FN, allowing a county to exempt its chief administrative officer from compulsory participation in the retirement system.

Hearing Date: April 14, 2021

Time Opened: 9:04 a.m.

Time Closed: 9:22 a.m.

Members of the Committee Present: Senators Carson, Reagan, Ricciardi, Cavanaugh and Prentiss

Members of the Committee Absent: None

Bill Analysis: This bill allows the county commissioners to exempt the county chief administrative officer from compulsory membership in the state retirement system.

Sponsors:

Rep. Rung
Rep. Meuse
Rep. Weston

Rep. Edgar
Rep. Cushing
Sen. Sherman

Rep. Petrigno
Rep. Levesque

Who supports the bill: Representative Diane Schuett (Merrimack – District 20), Senator Tom Sherman (District 24), and Eric Pauer.

Who opposes the bill: Andrew Wallace.

Who is neutral on the bill: Mary Karlon (NH Retirement System) and Becky Benvenuti (New Hampshire Municipal Association).

Summary of testimony presented in support:

Representative Diane Schuett

Merrimack – District 20

- Representative Schuett introduced HB 141-FN on behalf of Representative Rosemary Rung, who was not present.
- Rep. Schuett said that HB 141-FN as introduced dealt with the environmental effects of fire suppressants. During the House Executive Departments and Administration hearing, the Committee learned that the bill was premature, set the content of the bill aside, and adopted a non-germane, replace-all amendment.

- Rep. Schuett said that the need for the new HB 141-FN stems from Merrimack County being in a position where the head of the County's corrections system has had to step in as acting chief administrative officer, but is hesitant to do so fully, so as to not have to give up multiple decades of Group II New Hampshire Retirement System (NHRS) service in exchange for five to eight years of Group I NHRS service.
- Rep. Schuett said that she worked with Rep. Carol McGuire to develop the new language in HB 141-FN.
- Rep. Schuett said that the Committee heard pushback due to shorting some income from the NHRS Trust Fund. She said that she worked on Amendment 0877h, which the Committee added to HB 141-FN and passed the House on the consent calendar.
- Rep. Schuett said that HB 141-FN is a compromise, allowing a county's chief administrative officer to be added to the statute that allows a municipality to exempt their chief administrative officer from NHRS. At most, this could be 10 additional exemptions to the existing municipal exemptions. She said that if a county chooses to exempt their chief administrative officer, they would continue to pay the employer's portion to the NHRS Trust Fund for the duration of the employee's employment. She said that this would not be shorting the NHRS Trust Fund or the unfunded liabilities.
- Speaking for a second time, Rep. Schuett said that the amendment to HB 141-FN was designed so that it would not be retroactive and only apply going forward. She said that any entity that chose the option would be aware of the costs involved.

Summary of testimony presented in opposition: None.

Neutral Information Presented:

Marty Karlon

NHRS

- Mr. Karlon said that the exemption option for municipal officials has been in statute since the early 1970s. He said that in the theoretical exemption of a county official, it would be done at the time of the initial hiring by a vote of the governing body, documented, and transmitted to NHRS.
- Mr. Karlon said that the employer contribution would be on the unfunded accrued liability for a Group I member, at 11.17% of pay.
- Mr. Karlon said that there would be a minimal impact on NHRS due to the number of positions involved. Speaking in general terms, he said that if HB 141-FN passed, employer contributions received on the unfunded liability would be somewhat greater with more rapid amortization and, ultimately, reduced employer contributions. He said that it would depend on the magnitude of the additional contributions.
- Senator Carson, referencing a letter received from the New Hampshire Municipal Association (NHMA), asked about the current exemptions for municipal employees, the existence of employer contributions, and an unprecedented situation with the increase in the employer contribution rate in July of 2021.
 - Mr. Karlon said that, without taking a position, it would be a new assessment on the exempt positions. He said that the language is a request of House Executive Departments and Administration and NHRS has looked at it, basing it on an older bill related to the use of retirees for part-time work. He said that HB 141-FN without the employer contribution information did not have enough support in House Executive Departments and Administration to pass over cost concerns as positions are carved out. Conceptually, he said, an employer has a choice when they negotiate with a potential

hire and could include the exemption in their benefits package. He said that the cost of employer contributions would be included in the total compensation for an individual before hiring them.

- Senator Carson, referencing the NHMA letter again, said that on July 1, 2021 the employer contribution rate will increase to 14.06% and the unfunded liability is 11.17%, 81.2% of the total pension cost. She asked if that removed any incentive to exempt the position.
 - Mr. Karlon said that those number were correct, as NHMA had run the calculation by NHRS in advance.
- Senator Prentiss asked if there was an updated fiscal note for HB 141-FN, as the existing fiscal note referenced the pre-amendment bill.
 - Mr. Karlon said that NHRS had received the request for an updated fiscal note last week, that it was due the day of the hearing, and that NHRS would be sending it to the Legislative Budget Assistant.

Becky Benvenuti

Government Finance Advisor, NHMA

- Ms. Benevuti said that she became aware of the HB 141-FN amendment after the last NHMA board meeting and will explain the amendment to the Board at their next meeting. She clarified she is not authorized to take an official position.
- Ms. Benevuti said that Senator Carson had summarized NHMA's letter well.
- Senator Carson asked Ms. Benevuti to reach out the Committee after the NHMA board meeting. She said that, on its face, HB 141-FN is giving counties the ability to exempt their chief administrative officer but the employer rate is still being paid. She said she did not know if that was a precedent to establish but that it was for the Committee to determine.

cml

Date Hearing Report completed: April 16, 2021