

HB 390-FN-LOCAL - AS INTRODUCED

2021 SESSION

21-0471

10/08

HOUSE BILL

390-FN-LOCAL

AN ACT relative to the amortization of retirement system unfunded accrued liability.

SPONSORS: Rep. O'Brien, Hills. 36

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill extends the period for amortization of the retirement system unfunded liability as of 2017 by 5 years to 2044. The bill requires a recertification of rates to account for the change.

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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 One

AN ACT relative to the amortization of retirement system unfunded accrued liability.

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

1 1 Retirement System; Method of Funding; Amortization of Unfunded Liability. Amend RSA
2 100-A:16, II(e)(3) to read as follows:

3 (3) The unfunded liability as of July 30, 2017 shall be amortized through [2039]
4 **2044.** Each subsequent change in liability as calculated in odd-numbered years shall be separately
5 amortized over a fixed period of no longer than 20 years.

6 2 Retirement System; Recalculation of Employer Rates; Recertification. Notwithstanding the
7 notice requirements of RSA 100-A:16, III, the board of trustees of the retirement system shall
8 recalculate employer contribution rates for the state fiscal years 2022 and 2023 to reflect the
9 requirements of RSA 100-A:16, II(e)(3) as amended by this act. Notwithstanding the notice
10 requirements of RSA 100-A:16, III, such employer contribution rates shall be effective for the
11 biennium beginning July 1, 2021, and the recertification of employer contribution percentages,
12 applicable beginning July 1, 2021, shall be provided to each employer within a reasonable period of
13 time not to exceed 30 days from the effective date of this section. The exception to the notice
14 requirements of RSA 100-A:16, III in this section shall be limited to the applicable employer
15 contribution rates for the biennium beginning July 1, 2021.

16 3 Effective Date. This act shall take effect July 1, 2021.

HB 390-FN-LOCAL- FISCAL NOTE
AS INTRODUCED

AN ACT relative to the amortization of retirement system unfunded accrued liability.

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

STATE:	Estimated Increase / (Decrease)			
	FY 2021	FY 2022	FY 2023	FY 2024
Appropriation	\$0	\$0	\$0	\$0
Revenue	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	(\$13.7 million)
Funding Source:	<input checked="" type="checkbox"/> General	<input type="checkbox"/> Education	<input checked="" type="checkbox"/> Highway	<input checked="" type="checkbox"/> Other

**POLITICAL
SUBDIVISIONS:**

Revenue	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	(\$55.7 million)

*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 extends the 30 year amortization period for the New Hampshire Retirement System (NHRS) unfunded actuarial accrued liability (UAAL) as of June 30, 2017 by 5 years from 2039 to 2044. Employer contribution rates for FY22 and FY23 are unaffected by this proposed change, as the rates have already been certified, so there is no impact on employer expenditures in those fiscal years. As of June 30, 2019, the NHRS was 60.8% funded with an UAAL of \$5.9 billion. The proposal would decrease employer contributions during the initial amortization period and would cause the unfunded liability to decrease at a much slower rate.

Starting in FY24 through FY39 there would be approximately \$1.3 billion in savings in reduced employer contribution rates as a result of this bill. However, there will be additional employer contributions totaling \$2.7 billion over the additional five year extension proposed in the bill. The net impact of the additional 5 years of payments is an additional \$1.4 billion over the entire amortization period. The initial liability as of June 30, 2017 is currently scheduled to be paid off by June 30, 2039. Under the proposal, the initial liability as of June 30, 2039 would be approximately \$2.3 billion.

Assuming an annual rate of return of 6.75 percent and payroll growth of 2.75 percent per year (2.25 percent for teachers) the NHRS actuary determined the following:

Employer Pension Rates as a Percent of Payroll - State				
	Employees	Teachers	Police	Fire
Impact of Proposal	(1.57)%	n/a	(3.39)%	(3.49)%

Net Impact on State Employer Contributions

Expected Employer Dollar Increase (Decrease) Due to Proposal - State (\$ Millions)					
	Employees	Teachers	Police	Fire	Total*
FY 2021	0.00	N/A	0.00	0.00	0.00
FY 2022	0.00	N/A	0.00	0.00	0.00
FY 2023	0.00	N/A	0.00	0.00	0.00
FY 2024	(10.20)	N/A	(3.31)	(0.17)	(13.68)
FY 2025	(10.48)	N/A	(3.40)	(0.18)	(14.06)
FY 2026	(10.77)	N/A	(3.49)	(0.18)	(14.44)

Employer Pension Rates as a Percent of Payroll - Political Subdivisions				
	Employees	Teachers	Police	Fire
Impact of Proposal	(1.57)%	(2.33)%	(3.39)%	(3.49)%

Net Impact on Political Subdivisions Employer Contributions

Expected Employer Dollar Increase (Decrease) Due to Proposal - Pol. Sub. (\$ Millions)					
	Employees	Teachers	Police	Fire	Total*
FY 2021	0.00	0.00	0.00	0.00	0.00
FY 2022	0.00	0.00	0.00	0.00	0.00
FY 2023	0.00	0.00	0.00	0.00	0.00
FY 2024	(12.18)	(29.57)	(8.85)	(5.08)	(55.69)
FY 2025	(12.52)	(30.24)	(9.09)	(5.22)	(57.07)
FY 2026	(12.86)	(30.92)	(9.34)	(5.37)	(58.49)

Expected NHRS Total UAAL Contributions Through 2044 Net Increase (Decrease) Due to Proposal (\$ Millions)				
Employees	Teachers	Police	Fire	Total
\$ 442	\$ 572	\$ 240	\$ 104	\$ 1,358

AGENCIES CONTACTED:

New Hampshire Retirement System