

HB 449-FN - AS INTRODUCED

2023 SESSION

23-0398.1

10/08

HOUSE BILL

***449-FN***

AN ACT                   relative to the calculation of group II retirement benefits in the retirement system.

SPONSORS:           Rep. Goley, Hills. 21; Rep. Proulx, Hills. 15; Rep. Bordes, Belk. 5; Rep. O'Brien, Hills. 10

COMMITTEE:       Executive Departments and Administration

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ANALYSIS

This bill increases the service retirement and disability retirement annuity multiplier for the first 20 years of service of group II retirement system members under the transition provisions adopted in 2011.

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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                      Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 the calculation of group II retirement benefits in the retirement system.

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

1            1 Retirement System; Service Retirement; Group II. Amend RSA 100-A:5, II(b)(2) to read as  
2 follows:

3                    (2) For members who are in vested status before January 1, 2012, a state annuity  
4 which, together with his or her member annuity, shall be equal to 2- 1/2 percent of his or her average  
5 final compensation multiplied by the number of years of his or her creditable service not in excess of  
6 40 years, or for members who commenced service on or after July 1, 2011 [~~a state annuity which,~~  
7 ~~together with his or her member annuity, shall be equal to 2 percent of his or her average final~~  
8 ~~compensation multiplied by the number of years of his or her creditable service not in excess of 42.5~~  
9 ~~years, and group II members]~~ **or** who have not attained vested status prior to January 1, 2012 shall  
10 be as provided in the transition provisions in RSA 100-A:5, II(d) with the maximum number of years  
11 of creditable service not in excess of 40.5 years.

12            2 Retirement System; Service Retirement; Group II; Transition Provision. RSA 100-A:5, II(d) is  
13 repealed and reenacted to read as follows:

14                    (d) Active group II members who commenced service prior to July 1, 2011 and who have  
15 not attained vested status prior to January 1, 2012, or members who commenced service on or after  
16 July 1, 2011 shall be subject to the following transition provisions for years of service required for  
17 regular service retirement, the minimum age for regular service retirement, and the multiplier used  
18 to calculate the retirement annuity, which shall be applicable on or after January 1, 2012 according  
19 to the following:

20                    (1) Commenced service on or after July 1, 2011: 2.5 percent for first 20 years of  
21 service, 2.0 percent for subsequent years.

22                    (2) Less than 4 years of service on July 1, 2011: minimum 24 years of service;  
23 minimum age 49; 2.5 percent for first 20 years of service, 2.1 percent for subsequent years.

24                    (3) At least 4 years but less than 6 on July 1, 2011: minimum 23 years of service;  
25 minimum age 48 ; 2.5 percent for first 20 years of service, 2.2 percent for subsequent years.

26                    (4) At least 6 years but less than 8 years on July 1, 2011: minimum 22 years of  
27 service; minimum age 47; 2.5 percent for first 20 years of service, 2.3 percent for subsequent years.

28                    (5) At least 8 years but less than 10 years on July 1, 2011: minimum 21 years of  
29 service; minimum age 46; 2.5 percent for first 20 years of service, 2.4 percent for subsequent years

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1       3 Retirement System; Disability Retirement; Group II. Amend RSA 100-A:6, II(b) to read as  
2 follows:

3           (b) Upon ordinary disability retirement, the group II member shall receive an ordinary  
4 disability retirement allowance which shall consist of: a member annuity which shall be the  
5 actuarial equivalent of his or her accumulated contributions at the time of his or her ordinary  
6 disability retirement; and a state annuity which, together with his or her member annuity, for  
7 members who are in vested status before January 1, 2012, shall be equal to 2 1/2 percent of his or  
8 her average final compensation at the time of ordinary disability retirement multiplied by the  
9 number of years of his or her creditable service not in excess of 40 at the time of ordinary disability  
10 retirement, or for members who commenced service on or after July 1, 2011, ~~[shall be equal to 2~~  
11 ~~percent of his or her average final compensation at the time of ordinary disability retirement~~  
12 ~~multiplied by the number of years of his or her creditable service not in excess of 42.5 at the time of~~  
13 ~~ordinary disability retirement, and group II members]~~ **or** who have not attained vested status prior  
14 to January 1, 2012 shall be as provided in the transition provisions in RSA 100-A:5, II(d) with the  
15 maximum number of years of creditable service not in excess of 40.5 years provided, however, that  
16 such allowance shall not be less than 25 percent of the member's final compensation at the time of  
17 his or her disability retirement.

18       4 Supplemental Disability Retirement Allowance; Group II; Transition provisions. Amend RSA  
19 100-A:6, II(d)(2) to read as follows:

20           (2) For members who commenced service on or after July 1, 2011, any group II  
21 member who has more than 33 1/3 years of service, a supplemental disability retirement allowance  
22 shall be paid. Such supplement shall be equal to ~~[2 percent]~~ **the corresponding multiplier as**  
23 **provided in the transition provisions in RSA 100-A:5, II(d)** of his or her average final  
24 compensation multiplied by the number of years of his or her creditable service in excess of 33 1/3  
25 but not in excess of 42.5 years.

26       5 Effective Date. This act shall take effect 60 days after its passage.

**HB 449-FN- FISCAL NOTE**  
**AS INTRODUCED**

AN ACT relative to the calculation of group II retirement benefits in the retirement system.

**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	\$169,000+		\$3,560,000
Funding Source:	<div><input checked="" type="checkbox"/> General      <input type="checkbox"/> Education      <input checked="" type="checkbox"/> Highway      <input checked="" type="checkbox"/> Other - Various State Agency Funds</div>			

**POLITICAL  
SUBDIVISIONS:**

<b>Revenue</b>	\$0	\$0	\$0	\$0
<b>Expenditures</b>	\$0	\$0	\$0	\$13,320,000

\*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 increases the service retirement and disability retirement annuity multiplier for the first 20 years of service of group II retirement system members under the transition provisions adopted in 2011.

The New Hampshire Retirement System (NHRS) assumes this bill will not only apply to the group II retirement system members under the transition provisions adopted in 2011, but also to members who commenced service on or after July 1, 2011. Currently, members are not subject to the transition rules, which only apply to members who commenced service prior to July 1, 2011, but were not vested prior to January 1, 2012. The NHRS notes the bill would increase the multiplier in the first 20 years for all current and future Group II members subject to RSA 100-A:5(b)(2), not just the closed pool of active members subject to the transition rules under RAS 100-A:5, II(d). The fiscal impact assumes an increased multiplier will apply to both cohort of members.

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 Impact

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

	Net Impact of Proposal
Employees	0.00%
Police	3.26%
Fire	2.77%

Expected Employer Dollar Increase (Decrease) Due to Proposal				
	FY 2023	FY 2024	FY 2025	FY 2026
Employees	-	-	-	-
Police	-	-	-	\$3,430,000
Fire	-	-	-	<u>\$130,000</u>
<b>TOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,560,000</b>

### Political Subdivision Impact

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

	Net Impact of Proposal
Employees	0.00%
Teachers	N/A
Police	3.26%
Fire	2.77%

Expected Employer Dollar Increase (Decrease) Due to Proposal				
	FY 2023	FY 2024	FY 2025	FY 2026
Employees	-	-	-	-
Teachers	-	-	-	-
Police	-	-	-	\$8,800,000
Fire	-	-	-	<u>\$4,520,000</u>

<b>TOTAL</b>	\$0	\$0	\$0	\$13,320,000
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The NHRS actuary indicates once all members in the active population are those hired on or after July 1, 2011, and the liability is amortized it is expected the permanent employer contribution rate increase as a result of the bill will be 1.91% and 1.99% for Police and Fire, respectively

The NHRS actuary projects an increase in the actuarial accrued liability by \$82.2 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 \$44,000 in reprogramming costs for the current system and \$125,000 for the future system starting in FY 2024. In addition, the NHRS states the changes would delay the implementation of the new system by 4-6 months and any related staffing, professional and consultant expenses are not included in this estimate of programming costs.

**AGENCIES CONTACTED:**

New Hampshire Retirement System