

HB 579-FN-LOCAL - AS INTRODUCED

2023 SESSION

23-0407

10/08

HOUSE BILL

579-FN-LOCAL

AN ACT eliminating the 2011 transition provision requirements for group II retirement.

SPONSORS: Rep. Trottier, Belk. 8; Rep. Bordes, Belk. 5; Rep. Coker, Belk. 2; Rep. Pratt, Rock. 4; Rep. O'Hara, Belk. 4

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill eliminates the transition provision adopted in 2011 for group II retirement system members that began service before July 1, 2011 but were not yet vested.

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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 eliminating the 2011 transition provision requirements for group II retirement.

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

1 1 State Employees Group Insurance; Group II Transition Provision. Amend RSA 21-I:30, VIII to
2 read as follows:

3 VIII. Any vested deferred state retiree may receive medical and surgical benefits under this
4 section if the vested deferred state retiree is eligible. To be eligible, a group I vested deferred state
5 retiree shall have at least 10 years of creditable service with the state if the employee's service began
6 prior to July 1, 2003 or 20 years of creditable service with the state if the employee's service began
7 on or after July 1, 2003 and a group II vested deferred state retiree shall have at least 20 years of
8 creditable service with the state if the employee's service with the state began on or after July 1,
9 2010. In addition, if the vested deferred state retiree is a member of group I, such retiree shall be at
10 least 60 years of age to be eligible. If the vested deferred state retiree is a member of group II who
11 ~~[is in vested status before January 1, 2012]~~ **commenced service before July 1, 2011**, such retiree
12 shall not be eligible until 20 years from the date of becoming a member of group II and shall be at
13 least 45 years of age, and any group II member who commenced service on or after July 1, 2011 shall
14 not be eligible until 25 years from the date of becoming a member of group II and shall be at least
15 52.5 years of age~~[-and group II members who have not attained vested status prior to January 1,~~
16 ~~2012 shall be as provided in the transition provisions in RSA 100-A:5, II(d)].~~

17 2 Definition of Earnable Compensation; Group II. Amend RSA 100-A:1, XVII to read as follows:

18 XVII. "Earnable compensation" shall mean:

19 (a) For **group I** members who have attained vested status prior to January 1, 2012 **and**
20 **group II members who commenced service before July 1, 2011** the full base rate of
21 compensation paid, as determined by the employer, plus any overtime pay, holiday and vacation pay,
22 sick pay, longevity or severance pay, cost of living bonus, annual attendance stipend or bonus,
23 additional pay for extracurricular and instructional activities for full-time teachers and full-time
24 employees who are employed in paraprofessional or support position, additional pay for instructional
25 activities of full-time faculty of the community college system, and any military differential pay, plus
26 the fair market value of non-cash compensation paid to, or on behalf of, the member for meals or
27 living quarters if subject to federal income tax, but excluding other compensation except cash
28 incentives paid by an employer to encourage members to retire, supplemental pay paid by the
29 employer while the member is receiving workers' compensation, and teacher development pay that is
30 not part of the contracted annual salary. Compensation for extra and special duty, as reported by
31 the employer, shall be included but limited during the highest 3 years of creditable service as

provided in paragraph XVIII. However, earnable compensation in the final 12 months of creditable service prior to termination of employment shall be limited to 1-1/2 times the higher of the earnable compensation in the 12-month period preceding the final 12 months or the highest compensation year as determined for the purpose of calculating average final compensation, but excluding the final 12 months. Any compensation received in the final 12 months of employment in excess of such limit shall not be subject to member or employer contributions to the retirement system and shall not be considered in the computation of average final compensation. Provided that, the annual compensation limit for members of governmental defined benefit pension plans under section 401(a)(17) of the United States Internal Revenue Code of 1986, as amended, shall apply to earnable compensation for all employees, teachers, permanent firemen, and permanent policemen who first become eligible for membership in the system on or after July 1, 1996. Earnable compensation shall not include compensation in any form paid later than 120 days after the member's termination of employment from a retirement eligible position, with the limited exceptions of disability related severance pay paid to a member or retiree no later than 120 days after a decision by the board of trustees granting the member or retiree disability retirement benefits pursuant to RSA 100-A:6 and of severance pay which a member was entitled to be paid within 120 days after termination but which, without the consent of the member and not through any fault of the member, was paid more than 120 days after the member's termination. The member shall have the burden of proving to the board of trustees that any severance payment paid later than 120 days after the member's termination of employment is earnable compensation and meets the requirements of an asserted exception to the 120-day post-termination payment requirement.

(b)(1) For **group I** members who have not attained vested status prior to January 1, 2012, **and group II members who commenced service on and after July 1, 2011** the full base rate of compensation paid, as determined by the employer, plus compensation over base pay. Compensation over base pay shall include as applicable, subject to subparagraphs (2), (3), and (4), any overtime pay, cost of living bonus, annual attendance stipend or bonus, annual longevity pay, additional pay for extracurricular and instructional activities for full-time teachers and full-time employees who are employed in paraprofessional or support position, additional pay for instructional activities of full-time faculty of the community college system, compensation for extra and special duty, and any military differential pay, plus the fair market value of non-cash compensation paid to, or on behalf of, the member for meals or living quarters if subject to federal income tax, but excluding other compensation except supplemental pay paid by the employer while the member is receiving workers' compensation and teacher development pay that is not part of the contracted annual salary.

(2) Compensation over base pay shall be limited during the highest 5 years of creditable service as provided in paragraph XVIII.

HB 579-FN-LOCAL - AS INTRODUCED
- Page 3 -

1 (3) Earnable compensation shall not include compensation for extra and special duty
2 for members who commence service on and after July 1, 2011.

3 (4) Earnable compensation shall not include incentives to encourage members to
4 retire, severance pay or end-of-career additional longevity payments, and pay for unused sick or
5 vacation time. Earnable compensation in the final 12 months of creditable service prior to
6 termination of employment shall be limited to 1 1/2 times the higher of the earnable compensation in
7 the 12-month period preceding the final 12 months or the highest compensation year as determined
8 for the purpose of calculating average final compensation, but excluding the final 12 months. Any
9 compensation received in the final 12 months of employment in excess of such limit shall not be
10 subject to member or employer contributions to the retirement system and shall not be considered in
11 the computation of average final compensation. Provided that, the annual compensation limit for
12 members of governmental defined benefit pension plans under section 401(a)(17) of the United
13 States Internal Revenue Code of 1986, as amended, shall apply to earnable compensation for all
14 employees, teachers, permanent firemen, and permanent policemen who first become eligible for
15 membership in the system on or after July 1, 1996. Earnable compensation shall not include
16 compensation in any form paid later than 120 days after the member's termination of employment
17 from a retirement eligible position.

18 3 Definition of Average Final Compensation; Group II. Amend RSA 100-A:1, XVIII to read as
19 follows:

20 XVIII. "Average final compensation" shall mean:

21 (a) For **group I** members who have attained vested status prior to January 1, 2012 **and**
22 **group II members who commenced service before July 1, 2011** the average annual earnable
23 compensation of a member during his or her highest 3 years of creditable service, or during all of the
24 years in his or her creditable service if less than 3 years. For purposes of this calculation, the
25 inclusion of the average annual compensation for extra and special duty in the 3 years shall not
26 exceed the average annual amount of compensation for extra and special duty paid to the member
27 over the member's last 7 years of creditable service on or after July 1, 2009, as reported by the
28 employer in accordance with RSA 100-A:16, VI, or over all of the years in his or her creditable
29 service on or after July 1, 2009 if less than 7 years.

30 (b) For group I members who commenced service on or after July 1, 2011 or who have
31 not attained vested status prior to January 1, 2012, the average annual earnable compensation of a
32 member during his or her highest 5 years of creditable service, or during all of the years in his or her
33 creditable service if less than 5 years. For purposes of inclusion in this calculation, the average
34 percentage of compensation paid in excess of the full base rate of compensation in the highest 5
35 years shall not exceed the average percentage of compensation paid in excess of the full base rate of
36 compensation over all the member's years of service on or after January 1, 2012, but excluding the
37 highest 5 years.

HB 579-FN-LOCAL - AS INTRODUCED
- Page 4 -

(c)(1) For group II members who commenced service prior to July 1, 2011 ~~[and who have not attained vested status prior to January 1, 2012]~~, the average annual earnable compensation of a member during his or her highest 5 years of creditable service, or during all of the years in his or her creditable service if less than 5 years. For purposes of inclusion in this calculation, the average percentage of compensation paid in excess of the full base rate of compensation in the highest 5 years shall not exceed the average percentage of compensation paid in excess of the full base rate of compensation over all the member's years of service on or after January 1, 2012.

(2) For group II members who commenced service on or after July 1, 2011 ~~[and who have not attained vested status prior to January 1, 2012]~~, the average annual earnable compensation of a member during his or her highest 5 years of creditable service, or during all of the years in his or her creditable service if less than 5 years. For purposes of inclusion in this calculation, the average percentage of compensation paid in excess of the full base rate of compensation in the highest 5 years shall not exceed the average percentage of compensation paid in excess of the full base rate of compensation over all the member's years of service on or after January 1, 2012, but excluding the highest 5 years.

4 Definition of Normal Retirement Age; Group II. Amend RSA 100-A:1, XXXVII to read as follows:

XXXVII. "Normal retirement age" means:

(a) For a group I member, age 60 if the member commenced service before July 1, 2011; otherwise, age 65.

(b)(1) For a group II member who ~~[is in vested status before January 1, 2012]~~ **commenced service before July 1, 2011**, the later of the date that the member has both attained age 45 and completed 20 years of creditable service;

(2) For a group II member who commenced service on or after July 1, 2011, the later of the date that the member has both attained age 52.5 and completed 25 years of creditable service;
or

(3) ~~[For a group II member who commenced service prior to July 1, 2011, and who has not attained vested status prior to January 1, 2012, as provided in the transition provisions in RSA 100-A:5, II(d); or~~

(4) For any group II member in service, age 60 regardless of the number of years of creditable service.

5 Group II Service Retirement Benefits. Amend RSA 100-A:5, II to read as follows:

II. Group II Members.

(a) Any group II member in service~~[- who is in vested status before January 1, 2012,]~~ who **commenced service before July 1, 2011 and** has attained age 45 and completed 20 years of creditable service, and any group II member who commenced service on or after July 1, 2011 who has attained age 50 and completed 25 years of creditable service~~[- and group II members who have~~

HB 579-FN-LOCAL - AS INTRODUCED
- Page 5 -

1 ~~not attained vested status prior to January 1, 2012 as provided in the transition provisions in RSA~~
2 ~~100-A:5, II(d), or any group II member in service who has attained age 60 regardless of the number~~
3 ~~of years of creditable service]~~, may retire on a service retirement allowance upon written application
4 to the board of trustees setting forth at what time not less than 30 days nor more than 90 days
5 subsequent to the filing thereof the member desires to be retired, notwithstanding that during such
6 period of notification the member may have separated from service. Provided, however, that a group
7 II member who commenced service on or after July 1, 2011 shall not receive a service retirement
8 allowance until attaining the age of 52.5; but may receive a reduced allowance after age 50 if the
9 member has at least 25 years of creditable service where the allowance shall be reduced, for each
10 month by which the date on which benefits commence precedes the month after which the member
11 attains 52.5 years of age, by 1/4 of one percent.

12 (b) Upon service retirement, a group II member shall receive a service retirement
13 allowance which shall consist of:

14 (1) A member annuity which shall be the actuarial equivalent of his or her
15 accumulated contributions at the time of retirement; and

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

25 (3) Provided, however, that a group II member who commenced service on or after
26 July 1, 2011 shall not receive a service retirement allowance until attaining the age of 52.5; but may
27 receive a reduced allowance after age 50 if the member has at least 25 years of creditable service
28 where the allowance shall be reduced, for each month by which the date on which benefits commence
29 precedes the month after which the member attains 52.5 years of age, by 1/4 of one percent.

30 (c)(1) Notwithstanding any provision of RSA 100-A to the contrary, any group II member
31 who ~~[is in vested status before January 1, 2012]~~ **commenced service before July 1, 2011** and has
32 retired on or after the effective date of this subparagraph after attaining the age of 45 with at least
33 20 years of creditable service, and any group II member who commenced service on or after July 1,
34 2011 and retires after the effective date of this subparagraph after attaining the age of 50 with at
35 least 25 years of creditable service, ~~[and group II members who have not attained vested status prior~~
36 ~~to January 1, 2012 who qualify as provided in the transition provisions in RSA 100-A:5, II(d),]~~ shall
37 receive a minimum annual service retirement allowance of \$10,000. If such group II member has

HB 579-FN-LOCAL - AS INTRODUCED
- Page 6 -

1 elected to convert the retirement allowance into an optional allowance for the surviving spouse
2 under RSA 100-A:13, the surviving spouse shall be entitled to a proportional share of the \$10,000.

3 (2) [Repealed.]

4 (3) [Repealed.]

5 ~~[(d) Active group II members who commenced service prior to July 1, 2011 and who have~~
6 ~~not attained vested status prior to January 1, 2012 shall be subject to the following transition~~
7 ~~provisions for years of service required for regular service retirement, the minimum age for regular~~
8 ~~service retirement, and the multiplier used to calculate the retirement annuity, which shall be~~
9 ~~applicable on or after January 1, 2012 according to the following table:~~

| Creditable service on | Minimum years | Minimum | Annuity |
|--------------------------|---------------|--------------|------------|
| January 1, 2012 | of service | age attained | multiplier |
| (1) Less than 4 years | 24 | age 49 | 2.1% |
| (2) At least 4 years | 23 | age 48 | 2.2% |
| but less than 6 years | | | |
| (3) At least 6 years but | 22 | age 47 | 2.3% |
| less than 8 years | | | |
| (4) At least 8 years but | 21 | age 46 | 2.4% |
| less than 10 years] | | | |

19 (e) ~~[Notwithstanding the transition provisions of subparagraph (d),]~~ The member may
20 replace the additional years of service required for minimum retirement age with the years of service
21 that are purchased under RSA 100-A:4, IX. Therefore, allowing the member to retire between the
22 age of 45 and 49 depending upon the years of service purchased. The purchased years under RSA
23 100-A:4, IX shall have an annual multiplier of 2.5 percent regardless of the percentage listed in
24 subparagraph (d).

25 6 Ordinary Disability Retirement Benefits; Group II. Amend RSA 100-A:6, II(b) to read as
26 follows:

27 (b) Upon ordinary disability retirement, the group II member shall receive an ordinary
28 disability retirement allowance which shall consist of: a member annuity which shall be the
29 actuarial equivalent of his or her accumulated contributions at the time of his or her ordinary
30 disability retirement; and a state annuity which, together with his or her member annuity, for
31 members who ~~[are in vested status before January 1, 2012]~~ **commenced service before July 1,**
32 **2011**, shall be equal to 2 1/2 percent of his or her average final compensation at the time of ordinary
33 disability retirement multiplied by the number of years of his or her creditable service not in excess
34 of 40 at the time of ordinary disability retirement, or for members who commenced service on or
35 after July 1, 2011, shall be equal to 2 percent of his or her average final compensation at the time of
36 ordinary disability retirement multiplied by the number of years of his or her creditable service not
37 in excess of 42.5 at the time of ordinary disability retirement~~[, and group II members who have not~~

HB 579-FN-LOCAL - AS INTRODUCED
- Page 7 -

1 ~~attained vested status prior to January 1, 2012 shall be as provided in the transition provisions in~~
2 ~~RSA 100-A:5, II(d) with the maximum number of years of creditable service not in excess of 40.5~~
3 ~~years]~~ provided, however, that such allowance shall not be less than 25 percent of the member's final
4 compensation at the time of his or her disability retirement.

5 7 Accidental Disability Retirement Benefits; Group II. Amend RSA 100-A:6, II(d) to read as
6 follows:

7 (d) Upon accidental disability retirement, the group II member shall receive an
8 accidental disability retirement allowance equal to 2/3 of his or her average final compensation at
9 the time of disability retirement.

10 (1) For members who ~~[are in vested status before January 1, 2012]~~ **commenced**
11 **service before July 1, 2011**, any group II member who has more than 26 2/3 years of service, a
12 supplemental disability retirement allowance shall be paid. Such supplement shall be equal to 2 1/2
13 percent of his or her average final compensation multiplied by the number of years of his or her
14 creditable service in excess of 26 2/3 but not in excess of 40 years.

15 (2) For members who commenced service on or after July 1, 2011, any group II
16 member who has more than 33 1/3 years of service, a supplemental disability retirement allowance
17 shall be paid. Such supplement shall be equal to 2 percent of his or her average final compensation
18 multiplied by the number of years of his or her creditable service in excess of 33 1/3 but not in excess
19 of 42.5 years.

20 ~~[(3) For group II members who have not attained vested status prior to January 1,~~
21 ~~2012, calculation of the supplemental allowance shall use the percentage multipliers for the~~
22 ~~corresponding years of creditable service on January 1, 2012 in the transition provisions in RSA 100-~~
23 ~~A:5, II(d) with the range for the number of excess years for the supplement adjusted proportionally.]~~

24 8 Group II Vested Deferred. Amend RSA 100-A:, 10, II to read as follows:

25 II. Group II Members.

26 (a) A group II member who has completed 10 years of creditable service and who, for
27 reasons other than retirement or death, ceases to be a permanent policeman or permanent fireman
28 shall be deemed in vested status and upon meeting the eligibility requirements of subparagraph (b)
29 may collect a vested deferred retirement allowance. In lieu of a vested deferred retirement
30 allowance, the member may make application on a form prescribed by the board of trustees and
31 receive a return of the member's accumulated contributions under RSA 100-A:11. Provided,
32 however, that a group II member who commenced service on or after July 1, 2011 shall not receive a
33 vested deferred retirement allowance until attaining the age of 52.5; but may receive a reduced
34 allowance after age 50 if the member has at least 25 years of creditable service where the allowance
35 shall be reduced, for each month by which the date on which benefits commence precedes the month
36 after which the member attains 52.5 years of age, by 1/4 of one percent.

(b) For members who ~~[are in vested status before January 1, 2012]~~ **commenced service before July 1, 2011**, upon the member's attainment of age 45, provided the member would then have completed 20 years of creditable service, otherwise the subsequent date on which such 20 years would have been completed, or for members who commenced service on or after July 1, 2011, upon the member's attainment of age 50, provided the member would then have completed 25 years of creditable service, otherwise the subsequent date on which such 25 years would have been completed~~], and group II members who have not attained vested status prior to January 1, 2012 shall be as provided in the transition provisions in RSA 100-A:5, II(d)]~~, or at any time after age 60, a group II member who meets the requirement of subparagraph (a) may make application on a form prescribed by the board of trustees and receive a vested deferred retirement allowance which shall consist of: (1) A member annuity which shall be the actuarial equivalent of accumulated contributions on the date the member's retirement allowance commences; and (2) A state annuity which, together with the member annuity, shall be equal to a service retirement allowance based on the member's average final compensation and creditable service at the time the member's service is terminated. Provided, however, that a group II member who commenced service on or after July 1, 2011 shall not receive a vested deferred retirement allowance until attaining the age of 52.5; but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the date on which benefits commence precedes the month after which the member attains 52.5 years of age, by 1/4 of one percent.

9 Split Benefits Minimum Age; Group II. Amend RSA 100-A:19-b to read as follows:

100-A:19-b Minimum Age. For the purposes of this subdivision only, minimum age shall mean:

I. For a member who has completed less than 20 years combined creditable service in both group I and group II, 60 years.

II.(a) For a member who ~~[is in vested status before January 1, 2012]~~ **commenced service before July 1, 2011** and, who has completed 20 or more years of combined creditable service, one year shall be deducted from age 60 for each year of creditable group II service, provided that the age shall not be less than 45 years.

(b) For a member who commenced service on or after July 1, 2011 and who has completed 25 or more years of combined creditable service, one year shall be deducted from age 60 for each year of creditable group II service, provided that the age shall not be less than 50 years, and provided that a the member shall not be eligible to receive a retirement allowance until attaining the age of 52.5.

~~[(c) For members who have not attained vested status prior to January 1, 2012, minimum age shall be as provided in the transition provisions in RSA 100-A:5, II(d) with one year deducted from age 60 to not less than the adjusted minimum age.]~~

10 Split Benefits; Reduced Early Retirement. Amend RSA 100-A:19-d to read as follows:

HB 579-FN-LOCAL - AS INTRODUCED

- Page 9 -

1 100-A:19-d Reduced Early Retirement. Notwithstanding any other provision of law, any
2 retirement system member who has creditable service in both group I and group II with at least 10
3 years combined creditable service, and who has attained an age which is at least 45 for members
4 who ~~[are in vested status with group II service before January 1, 2012]~~ ***commenced service before***
5 ***July 1, 2011*** or at least 50 for members who commenced group II service on or after July 1, 2011;
6 ~~and group II members who have not attained vested status prior to January 1, 2012 shall be as~~
7 ~~provided in the transition provisions in RSA 100-A:5, II(d), and is within 10 years of the minimum~~
8 ~~age set forth in RSA 100-A:19-b],~~ may elect to retire and have benefits commence immediately as a
9 reduced split-benefit service retirement allowance. Application shall be as provided in RSA 100-A:5,
10 I(c). The allowance shall be determined as a split-benefit service retirement allowance in accordance
11 with RSA 100-A:19-c, and the total combined split-benefit service allowance shall be reduced by the
12 percentages shown in RSA 100-A:5, I(c), based on the total combined length of creditable service, for
13 each month by which the date on which benefits commence precedes the month after which the
14 member attains the minimum age set forth in RSA 100-A:19-b.

15 11 Effective Date. This act shall take effect December 1, 2024.

HB 579-FN-LOCAL- FISCAL NOTE
AS INTRODUCED

AN ACT eliminating the transition provision requirements for group II retirement under 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 | \$185,000+ | | \$6,540,000 |
| Funding Source: | <div><div><input checked="" type="checkbox"/> General</div><div><input type="checkbox"/> Education</div><div><input checked="" type="checkbox"/> Highway</div><div><input checked="" type="checkbox"/> Other - Various Agency Funds</div></div> | | | |

**POLITICAL
SUBDIVISIONS:**

| | | | | |
|---------------------|-----|-----|-----|--------------|
| Revenue | \$0 | \$0 | \$0 | \$0 |
| Expenditures | \$0 | \$0 | \$0 | \$25,880,000 |

*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 eliminates the transition provision adopted in 2011 for group II retirement system members that began service before July 1, 2011 but were not yet vested. These provisions include Group II minimum age, years of service, earnable compensation, and calculation of service and disability benefits to revert to the laws in place prior to the 2012 amendment. It also adjusts vested deferred retiree health benefits and requires the Department of Administrative Services to develop a proposal for the administration and funding required to reinstate the New Hampshire Retirement System medical subsidy payment for Group II retirees and their beneficiaries which is at least as favorable as the system for Group II medical subsidy for medical and surgical benefits under RSA 21-I:30 and RSA 110-A:52 which was available prior to July 1, 2011.

The 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 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 | 5.96% |
| Fire | 6.01% |

| Expected Employer Dollar Increase (Decrease) Due to Proposal | | | | |
|--|---------|---------|---------|------------------|
| | FY 2023 | FY 2024 | FY 2025 | FY 2026 |
| Employees | - | - | - | \$0 |
| Police | - | - | - | \$6,260,000 |
| Fire | - | - | - | <u>\$280,000</u> |
| TOTAL | \$0 | \$0 | \$0 | \$6,540,000 |

POLITICAL SUBDIVISIONS IMPACT

| Increase (Decrease) in Employer Pension Rates as a Percent of Payroll | |
|---|------------------------|
| | Net Impact of Proposal |
| Employees | 0.00% |
| Teachers | 0.00% |
| Police | 5.96% |
| Fire | 6.01% |

| Expected Employer Dollar Increase (Decrease) Due to Proposal | | | | |
|--|---------|---------|---------|--------------------|
| | FY 2023 | FY 2024 | FY 2025 | FY 2026 |
| Employees | - | - | - | \$0 |
| Teachers | - | - | - | \$0 |
| Police | - | - | - | \$16,080,000 |
| Fire | - | - | - | <u>\$9,800,000</u> |
| TOTAL | \$0 | \$0 | \$0 | \$25,880,000 |

The NHRS actuary projects an increase in the actuarial accrued liability by \$226.0 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 \$73,000 in reprogramming costs for the current system and \$112,000 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. Lastly, the NHRS indicates the changed/ bifurcated definition to the earnable compensation will present significant administrative challenges with respect to IT systems, administrative procedures, staff training, employer reporting, compliance and audit. It will require substantial reeducation regarding the proper reporting to NHRS and revisions to training materials and numerous interpretive memorandums that provide guidance to employers. NHRS state the changes will also result in possible significant costs to 461+ participating employers relating to reprogramming of employer payroll systems all of which is an indeterminable increase in expenditures.

The Department of Administrative Services (DAS) states they analyzed the Retiree Health Benefit Plan (RHBP) for Group II employees hired on or after 7/1/2011 (FY 2012) who is eligible for retiree health benefits if they continued earning state creditable services through 7/1/2031 (FY 2032) or 20 years later and was at least 45 years of age unless they reached age 60 prior to completing 20 years of State creditable service. DAS determined the estimated RHBP increase for FY 2032 to FY 2036 total retiree health insurance funding needs by \$17 million or 25%, with \$6 million from General fund and \$7 million from other State funds (self-funded agencies). The DAS stated in subsequent years, this bill will increase annual funding needs by an average of \$19 million to cover a younger population for more years, of which \$16 million would be State funds. The incremental cost is projected to increase as the population ages, new generations of younger retirees enroll in the plan, and the cost of health care increases.

DAS also indicates the bill requires them to develop a proposal to reinstate the New Hampshire Retirement System (NHRS) Medical Subsidy for Group II retirees and their beneficiaries that is at least as favorable as the NHRS Medical Subsidy that was available prior to July 1, 2011. DAS states they are unable to calculate a fiscal impact as the NHRS medical Subsidy is managed by the NHRS.

AGENCIES CONTACTED:

New Hampshire Retirement System and Department of Administrative Services