

SB 114-FN-LOCAL - AS INTRODUCED

2023 SESSION

23-0801

07/05

SENATE BILL

***114-FN-LOCAL***

AN ACT

relative to payment by the state of a portion of retirement system contributions of political subdivision employers.

SPONSORS:

Sen. Rosenwald, Dist 13; Sen. Altschiller, Dist 24; Sen. Prentiss, Dist 5; Sen. Fenton, Dist 10; Sen. Perkins Kwoka, Dist 21; Sen. D'Allesandro, Dist 20; Sen. Whitley, Dist 15; Sen. Watters, Dist 4; Sen. Chandley, Dist 11; Sen. Soucy, Dist 18; Rep. Edgar, Rock. 29; Rep. O'Brien, Hills. 10; Rep. Telerski, Hills. 11; Rep. Wilhelm, Hills. 40; Rep. Simpson, Rock. 33

COMMITTEE:

Finance

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ANALYSIS

This bill restores the state's contribution to the retirement liabilities of certain teachers, firefighters, and police officers within the state retirement system.

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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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 payment by the state of a portion of retirement system contributions of political subdivision employers.

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

1            1 Short Title; Purpose.

2            I. This act may be known as the "Property Tax Relief Act of 2023."

3            II. In recent years, the state has enacted several reductions to business tax rates, along with  
4 a phased out elimination of the interest and dividends tax. These tax changes will reduce tax rates  
5 and liabilities for businesses and certain individuals on an ongoing basis. It is the intent of the  
6 general court that municipalities receive a similar assurance of ongoing, sustained assistance to help  
7 pay the employer cost of the retirement system.

8            III. This act renews a promise made by the state to municipalities and restores the state's  
9 contribution of a portion of the retirement costs of teachers, firefighters, and local police. Its purpose  
10 is to help ease the local property tax burden, provide property tax relief to the cities and towns, and  
11 enhance public education and public safety.

12           2 Retirement System; Employer Contributions; State Share of Contributions. Amend RSA 100-  
13 A:16, II(b) and (c) to read as follows:

14           (b) The contributions of each employer for benefits under the retirement system on  
15 account of group II members shall consist of a percentage of the earnable compensation of its  
16 members to be known as the "normal contribution," and an additional amount to be known as the  
17 "accrued liability contribution;" provided that beginning with state fiscal year [2013] **2024** and for  
18 each state fiscal year thereafter, any employer [~~shall pay the full amount of such total contributions~~]  
19 ***other than the state, shall pay 92.5 percent of such total contributions, and 7.5 percent***  
20 ***thereof shall be paid by the state; and provided further that, in the case of group II***  
21 ***members employed by the state, the state shall pay both normal and accrued liability***  
22 ***contributions..*** The rate percent of such normal contribution, including contributions on behalf of  
23 group II members whose group II creditable service is in excess of 40 years, in each instance shall be  
24 fixed on the basis of the liabilities of the system with respect to the particular members of the  
25 various member classifications as shown by actuarial valuations, except as provided in  
26 subparagraph (i).

27           (c) The contributions of each employer for benefits under the retirement system on  
28 account of group I members shall consist of a percentage of the earnable compensation of its  
29 members to be known as the "normal contribution," and an additional amount to be known as the  
30 "accrued liability contribution;" provided that beginning with state fiscal year [2013] **2024** and for

SB 114-FN-LOCAL - AS INTRODUCED

- Page 2 -

1 each state fiscal year thereafter, *in the case of teachers*, any employer *other than the state*,  
2 *shall pay 92.5 percent of such total contributions, and 7.5 percent thereof shall be paid by*  
3 *the state; and provided further that, in the case of teacher members employed by the state,*  
4 *the state* shall pay both normal and accrued liability contributions. The rate percent of such normal  
5 contribution in each instance shall be fixed on the basis of the liabilities of the system with respect to  
6 the particular members of the various member classifications as shown by actuarial valuation,  
7 except as provided in subparagraph (i).

8 3 Effective Date. This act shall take effect July 1, 2023.

**SB 114-FN-LOCAL- FISCAL NOTE  
AS INTRODUCED**

AN ACT relative to payment by the state of a portion of retirement system contributions of political subdivision employers.

**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	\$26.49 million	\$27.13 million	\$27.78 million
<b>Funding Source:</b>	<input checked="" type="checkbox"/> General <input type="checkbox"/> Education <input type="checkbox"/> Highway <input type="checkbox"/> Other			

**POLITICAL  
SUBDIVISIONS:**

<b>Revenue</b>	\$0	\$0	\$0	\$0
<b>Expenditures</b>	\$0	(\$26.49 million)	(\$27.13 million)	(\$27.78 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:**

The bill requires the State to pay 7.5 percent of contributions of retirement system employers other than the State for group I teachers and group II members beginning in FY 2024. The New Hampshire Retirement System (NHRS) states the proposed change affects the pension contribution rate, but not the medical subsidy contribution rate. The NHRS indicates this bill does not impact the NHRS unfunded actuarial accrued liability (UAAL) or funded ratio because it does not change the total amount of employer contributions due to the retirement system, only the funding source. Because this bill shifts the impact from political subdivisions to the state the fiscal impact of this bill is an increase in general fund expenditures and decrease political subdivision expenditures by \$26.5 million in FY 2024, \$27.1 million in FY 2025 and \$27.8 million in FY 2026. See tables below for more detail of fiscal impact.

Expected Employer Dollar Increase (Decrease) Due to Proposal - State (\$ Millions)				
	FY 2023	FY 2024	FY 2025	FY 2026
Employees	-	-	-	-
Teachers	-	\$17.78	\$18.18	\$18.59
Police	-	\$5.50	\$5.65	\$5.80

Fire	-	\$3.21	\$3.30	\$3.39
<b>TOTAL</b>	\$0.00	\$26.49	\$27.13	\$27.78

<b>Expected Employer Dollar Increase (Decrease) Due to Proposal - Political Subdivisions (\$ Millions)</b>				
	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
Employees	-	-	-	-
Teachers	-	(\$17.78)	(\$18.18)	(\$18.59)
Police	-	(\$5.50)	(\$5.65)	(\$5.80)
Fire	-	(\$3.21)	(\$3.30)	(\$3.39)
<b>TOTAL</b>	\$0.00	(\$26.49)	(\$27.13)	(\$27.78)

**AGENCIES CONTACTED:**

New Hampshire Retirement System