

Bill as Introduced

HB 302-FN - AS AMENDED BY THE HOUSE

05apr01...0072h

2001 SESSION

01-0337
10/01

HOUSE BILL **302-FN**

AN ACT relative to an optional retirement allowance for certain spouses upon a retiree's
 remarriage.

SPONSORS: Rep. Dyer, Hills 8

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill allows for a retired member who has remarried to elect to nominate his or her spouse as a beneficiary of an optional allowance.

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Explanation: Matter added to current law appears in **bold italics**.
 Matter removed from current law appears [~~in brackets and struck through~~].
 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 One

AN ACT relative to an optional retirement allowance for certain spouses upon a retiree's remarriage.

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

1 1 Optional Allowances; Nomination of Current Spouse Upon Remarriage. Amend
2 RSA 100-A:13, II(a) to read as follows:

3 (a) Any retired member who has elected option 2, 3, or 4, and whose beneficiary
4 nominated by the retiree under such option was the retiree's spouse at the time of such election,
5 may:

6 (1) Terminate such elected option upon the issuance of a divorce decree and
7 subsequent remarriage of the former spouse. Upon termination, the allowance received under the
8 elected option shall be converted to the retirement allowance that would have been payable in the
9 absence of such election. Any supplemental allowance, or COLAs, granted to the retiree and
10 effective before the date of termination of the option shall continue in effect and shall not be adjusted
11 as a result of the termination. Notice of such termination shall be given by the retiree on a form
12 designated by the board. Payment of the converted allowance shall commence on the first day of the
13 month following receipt of termination by the board. For any retiree whose divorce and the
14 subsequent remarriage of the former spouse occurred on or before July 1, 1990, the notice shall be
15 given to the board on or before October 1, 1990. Said termination action shall become effective on
16 the first day of the month following receipt of such notice by the board. If the retiree dies after
17 giving valid notice of such termination but before the effective date, the option shall terminate as of
18 the date of the retiree's death.

19 (2) *Due to the death of a former spouse and the retiree's subsequent,*
20 *remarriage, elect to nominate the current spouse as beneficiary under one of the options*
21 *named in paragraph III. The notice of election shall be on a form designated by the board.*
22 *The optional allowance shall be effective the first of the month following receipt of the*
23 *notice. If a retiree dies after filing such notice but before the effective date, the change*
24 *shall be effective as of the date of death. The optional allowance shall be of equivalent*
25 *actuarial value. Any supplemental allowances, or COLAs, granted to the retiree before the*
26 *effective date of the election shall terminate on such effective date, but the value of such*
27 *COLA's shall be included in the actuarial determination of the amount of the allowance*
28 *payable under the elected option.*

29 2 Optional Allowances; References Added. Amend RSA 100-A:13, III to read as follows:

1 III. The options, each of which shall be of equivalent actuarial value to the allowance
2 payable in the absence of election of an option, are:

3 Option 1. A reduced retirement allowance payable during the retired member's life, with the
4 provision that at ~~[his]~~ *the member's* death a lump sum equal in amount to the difference between
5 ~~[his]~~ *the* accumulated contributions at the time of ~~[his]~~ retirement and the sum of the member
6 annuity payments made to ~~[him]~~ *the member* during ~~[his]~~ lifetime shall be paid to the beneficiaries
7 or contingent beneficiaries, if any, nominated ~~[by him]~~ by written designation duly acknowledged
8 and filed with the board of trustees if such beneficiaries or contingent beneficiaries survive ~~[him]~~ *the*
9 *member*, otherwise to the retired member's estate.

10 Option 2. A reduced retirement allowance payable during the retired member's life, with the
11 provision that it shall continue after ~~[his]~~ *the member's* death for the life of, and to, the beneficiary
12 nominated ~~[by him]~~ by written designation duly acknowledged and filed with the board of trustees at
13 the time of retirement, *or as provided in subparagraph II(a)(2).*

14 Option 3. A reduced retirement allowance payable during the retired member's life, with the
15 provision that it shall continue after ~~[his]~~ death at 1/2 the rate paid to ~~[him]~~ *the member* and be
16 paid for the life of, and to, the beneficiary nominated ~~[by him]~~ by written designation duly
17 acknowledged and filed with the board of trustees at the time of retirement, *or as provided in*
18 *subparagraph II(a)(2).*

19 Option 4. A reduced retirement allowance payable during the retired member's life, with some
20 other benefit payable after ~~[his]~~ death, provided that such other benefit shall be approved by the
21 board of trustees, *or a reduced retirement allowance payable during the retired member's*
22 *life, with some other benefit payable after death, pursuant to the provisions of*
23 *subparagraph II(a)(2).*

24 3 Effective Date. This act shall take effect 60 days after its passage.

LBAO
01-0337
Revised 1/25/01

HB 302 FISCAL NOTE

AN ACT relative to an optional retirement allowance for certain spouses upon a retiree's remarriage.

FISCAL IMPACT:

The New Hampshire Retirement System states this bill will increase state restricted expenditures by an indeterminable amount in FY 2001 and each year thereafter. There will be no fiscal impact on state, county and local revenue or county and local expenditures.

METHODOLOGY:

The System states this bill would allow a retired member who remarries after the death of his or her former spouse (who was a designated beneficiary), to designate the current spouse as beneficiary. The System states there will be no cost to the New Hampshire Retirement System because the newly elected optional allowance will be determined on an actuarial equivalent basis. Under this methodology, the actuarial reserve of the member's allowance will be converted into the newly elected optional allowance.

The System states there will be additional administrative expenses associated with this bill. The newly elected optional allowance could be calculated either by the Actuary at a rate of \$250 per calculation, or with an Excel Spreadsheet developed by the Actuary for the System at a one-time cost of \$6,000. In addition, the System estimates an additional annual ongoing administrative expense of \$3,000 for the staff to administer the newly elected allowance.

The Actuary's letter is on file in the bill jacket in the House Clerk's Office.

Committee Minutes

Date: May 10, 2001
Time: 1:00 pm
Room: 104

The Senate Committee on Executive Departments and Administration held a hearing on the following:

HB302 relative to an optional retirement allowance for certain spouses upon a retiree's remarriage.

Members of Committee present: Senator Prescott
Senator Flanders
Senator Francoeur
Senator Larsen
Senator D'Allesandro

The Chair, Senator Russell E. Prescott, D. 19: opened the hearing.

Senator Russell E. Prescott, D. 19: Has everyone signed up who wants to be heard on House Bill 302 on the docket? I'd like to open up the public hearing on House Bill 302, *relative to an optional retirement allowance for certain spouses upon a retiree's remarriage*. I'd like to call upon the prime sponsor, Representative Mert Dyer.

Representative Merton Dyer: Thank you Senator, Senator Flanders. I am the prime sponsor of HB 302, requested to me from some of the employee members of the New Hampshire Retirement System. Basically, what the bill does...before I say that, I will say the House amended the bill when we first got it and what we did in the amendment, which is shown in your copy here as amended on the second page of the bill, is we replaced everything in section 2 with following: change words from *his* to the *members* trying to put an agenda loophole format. (SIC) We had a good hearing with the House and it passed out of the Committee, 14 to 0 and was on the Consent Calendar. What the bill does is allow a person who is retired or remarried to include his new spouse as a member of the retirement system with an option of either 2,3, or 4. This has been a problem in the past. Questions have always been raised like, well, you've got someone who's 60-70 years old, and the spouse

dies and the retiree is going to get remarried. They're going to have a much younger spouse than they had before and the retirement system is just not set up that way to handle those figures, a younger person obviously could live a lot longer than the original spouse whose approximately the same age.

What this bill does - what makes this possible is that the benefit will be recalculated for the second spouse so that the amount of money being paid is actuarially correct. That is, they may be getting \$800 a month now based on both the member and the spouse's age when the individual retires. The younger spouse comes in and they recalculate the retirement based on the retiree's age and the spouse's age as to how much money is going to be needed to cover that retiree's spouse until death, which is, approximately age eighty-six. This has largely reduced payment from (noise - could not hear). So the retirement system is going to be held sound, there's not going to be anymore monies coming out of the retirement system instead it's going to be spread out over a longer period of time and probably in smaller amounts. I think people will look at that and maybe, though Catholic, I don't know, I'm not trying to judge morals or anything like that, but this system isn't going to get in the bind of having to pay benefits of which they have not collected funds for.

Senator Russell E. Prescott, D. 19: Right. So the collected funds are spread out in smaller amounts over a longer period of time depending upon the remarriage and difference with age. Thank you very much.

Representative Merton Dyer: I raise one other question and I'd like Denis Parker to answer this. I was driving up here this morning and - go to paragraph 2, which is *due to the death of a former spouse and the retiree's subsequent remarriage, elect to nominate the current spouse as beneficiary*. I raise the question, if somebody is retired on a full benefit retirement plan, has never married, has no spouse but decides afterwards that they would like to get married and that they would like to have their spouse share in the pension, could the spouse be covered under this bill? Again, you're going to determine the amount of money actuarially. The money is going to last, it will just be spread out differently. I just mentioned that to you briefly, I'm not advocating it, I'm raising it as a question that others can possibly answer and then we can see if Senate may want to do something about that type of circumstance. This limits it, I think, to somebody that is married and the spouse. If they were never married and they want to get married, I think the same rules apply. We might need a word change. With that I'll answer any questions.

Senator Russell E. Prescott, D. 19: Any questions Senator? Thank you very much.

Representative Merton Dyer: Thank you.

Senator Russell E. Prescott, D. 19: Denis Parker has written to speak in favor of the bill, we'd like to hear from you, thank you.

Denis Parker: Thank you very much. Mr. Chairman and Members of the Committee, for the record, my name is Denis Parker, representing the Salem Police Association and I'm here to support House Bill 302.

I will say that it is a simplified bill in the sense that it really does look to create or correct the problem which came to our attention just a short while ago. A retiree that we knew quite well had passed away and his current wife was unable to continue on with any type of annuity as a result of their being married for five years. We found out later on that his first wife who had predeceased him was still listed as the beneficiary. This was because he was unable to change his beneficiary to his new wife due to a 120-day period after retirement when you are able to change your beneficiary. We thought that seemed rather unjust. This was not a marriage to a younger person, it was a person of his same age. As Representative Dyer pointed out, the actuarially award is recalculated based on the new spouses age, so there would be no cost to the system. The person who was applying for it obviously would be aware of the fact that in doing so their annuity would drop to recognize the change in the spouse's age. I probably should also mention that this is not mandatory, this is optional. If your new spouse decided or if you decided that your new spouse had a supplemental income and that was sufficient to take care of the spouse if you were to pass away, then that would be fine to continue on with the annuity that you had. So there would not be any need to have you recalculate, this would really be up to the individual to make that decision.

I'm not sure I have an answer for Representative Dyer's concern about anyone who has retired as a single person and afterward decided to marry at some subsequent age - as to whether or not that person then could redesignate that beneficiary for purposes of having a continued annuity. I would have to defer that question to someone from the retirement system office to answer that question. That is something that needs to be addressed in the legislation, or do we have to come back and address it at a subsequent time - maybe in another session to deal with that issue? I'm afraid I don't have an answer, although he poses a good question because there may be some instances where this might happen. Thank you, that concludes my testimony, I can try to answer a question.

Senator Russell E. Prescott, D. 19: Senator Flanders.

Senator Robert B. Flanders, D. 7: Should we try to do something in this bill with that or do you recommend a way – well, no answer for your question on the person who retires who is single and then marries.

Denis Parker: If I could, This question was sprung on me pretty quickly, I had no chance to think about it - we could do it at another time. Eric Henry from the Retirement System is here now, I didn't realize that he was here, he has just heard a little bit about this and with or without any research - would want to venture - we think it would work, but if you'd rather do just a bill, I certainly response to that. (SIC)

Senator Robert B. Flanders, D. 7: Mr. Chairman, we would like to give these gentlemen a chance to talk and let us know whether you want to do it now. We won't exec. it today, we'll wait to see what you want to do and then let us know.

Senator Russell E. Prescott, D. 19: I appreciate that and again, I think Representative Dyer is correct. I think we'd want to take a look at that and see if that's - could return to us a written document explaining that situation with respect to the - we'll talk about it today and then we'll hear the gentlemen and then we'll get something back to the Committee.

Senator Robert B. Flanders, D. 7: If you don't want to do it, let us know and we'll exec it like it is.

Denis Parker: Thank you.

Senator Russell E. Prescott, D. 19: Thank you very much.

Denis Parker: I don't like late surprises. I know it's a complex subject and when doing something in haste you may overlook something.

Senator Russell E. Prescott, D. 19: Dennis Murphy. If anyone else wishes to speak, please sign in.

Dennis Murphy: I will be very brief, I don't want to waste time on what Denis Parker already covered, we support this because it's optional and it has no detrimental effect on the retirement system. My suggestion for this individual case was that I think there are four words that can fix the question that was raised. If you can hold onto the bill for a couple of days until a four word amendment gets prepared to solve that problem it would be better rather than go to the expense and time now.

Senator Robert B. Flanders, D. 7: I was thinking that it would save the expense of another bill and it would be worthwhile if that could be done.

Senator Russell E. Prescott, D. 19: Thank you very much. Anybody else wish to speak on House Bill 302? Very good, Eric Henry.

Eric Henry: Executive Director, Retirement System, for the record. In regard to the change that Representative Dyer has raised to allow a person who retires, who is not married to subsequently get married and name the spouse as a survivor as long as we treat it consistently with this and adjust that retiree's benefits in actuarially, equal more value adding the spouse as a survivor, there would be no plan to accomplish this - that we could add a phrase after the first comma in Section 2. In the event of or the marriage in an unmarried retiree, subsequent to retirement(silence)

Senator Russell E. Prescott, D. 19: On line 20, starting or the marriage...

Eric Henry: Yes, just after remarriage, or the marriage of an unmarried retiree subsequent to retirement.

Senator Russell E. Prescott, D. 19: Alright, we'll wait for confirmation on that, we'll have it in our notes.

Eric Henry: I'll take any questions.

Senator Russell E. Prescott, D. 19: One question would be, could you confirm that to us?

Eric Henry: Absolutely.

Senator Russell E. Prescott, D. 19: Thank you very much. All right, I'll write that down. Eric Henry to confirm. Are there any more people who wish to testify on House Bill 302? Seeing that, we'll close the hearing on House Bill 302.

Respectfully submitted,

Deborah Soroken
Senate Secretary

Speakers

Committee Report

STATE OF NEW HAMPSHIRE
SENATE
REPORT OF THE COMMITTEE

Date: May 21, 2001

THE COMMITTEE ON Executive Departments Administration
to which was referred House Bill 302-FN

AN ACT relative to an optional retirement allowance for certain
 spouses upon a retiree's remarriage.

VOTE: 5-0

Having considered the same, report the same without amendment and recommend
that the bill: **OUGHT TO PASS.**

Senator Robert B. Flanders
For the Committee

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Bill Title: relative to an optional retirement allowance for certain spouses upon a retiree's remarriage.

<u>Date</u>	<u>Body</u>	<u>Description</u>
1/25/2001	H	Introduced and ref to Exec Depts & Admin; HJ18, p240
1/30/2001	H	Copy to Chairman on 1/30/2001
2/1/2001	H	Hearing Feb 6 11:30 RM100, St House
3/21/2001	H	Retirement Subcom Work Session Mar 28 9:00 RM100, St House
3/29/2001	H	Maj Report OTP/AM for Apr 5 (vote 14-0;CC)
3/29/2001	H	Prop Comm Am{0072}; HC27, p593
4/5/2001	H	Passed with Am; HJ30, p681-682 + 740
4/12/2001	S	Introduced and Ref. to Executive Departments & Administration; SJ 9, Pg.119
5/2/2001	S	Hearing; May 10, 2001, Room 104, LOB, 1:00 p.m.; SC21
5/23/2001	S	Committee Report; Ought to Pass, [05/24/01]; SC26
5/24/2001	S	Ought to Pass, MA, VV; Refer to Finance [Rule 24]; SJ 14, Pg.282
6/1/2001	S	Committee Report; Ought to Pass, [06/05/01]; SC28
6/5/2001	S	Ought to Pass, MA, VV; OT3rdg, MA, VV; SJ 16, Pg.326
6/12/2001	S	Enrolled Bill Amendment {1547}, Adopted; SJ 18, Pg.549-550
6/13/2001	H	Enrolled Am{1547}, Adopted; HJ61, p1756-1757
6/26/2001	H	Enrolled; HJ61, p1762
6/26/2001	S	Enrolled; SJ 19, Pg.588
7/5/2001	H	Signed by the Governor on 7/05/2001 Eff: 9/03/2001 Chap: 0175

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Docket Abbreviations