

Bill as Introduced

HB 461-FN - AS INTRODUCED

2011 SESSION

11-0364
10/09

* HOUSE BILL

461-FN

AN ACT relative to repealing the authority for retirement system members to purchase service credit for certain out-of-state service.

SPONSORS: Rep. Hawkins, Hills 18; Rep. Reagan, Rock 1; Rep. Harding, Graf 11; Rep. Kurk, Hills 7; Sen. Boutin, Dist 16; Sen. White, Dist 9

COMMITTEE: Special Committee on Public Employee Pensions Reform

ANALYSIS

This bill repeals provisions which allow group I and group II members of the New Hampshire retirement system to purchase credit for out-of-state service.

.....

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT relative to repealing the authority for retirement system members to purchase service credit for certain out-of-state service.

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

1 Repeal. The following are repealed:

I. RSA 100-A:4-b, relative to group I employees and teachers purchase of credit for out-of-state service.

II. RSA 100-A:4-c, relative to group II members purchase of credit for out-of state service.

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

LBAO
11-0364
Revised 02/10/11

HB 461 FISCAL NOTE

AN ACT relative to repealing the authority for retirement system members to purchase service credit for certain out-of-state service.

FISCAL IMPACT:

The New Hampshire Retirement System states this bill will decrease state expenditures by \$503,415 in FY 2014 and \$526,069 in FY 2015, and will decrease county and local expenditures by \$680,224 in FY 2014, and \$710,833 in FY 2015. There will be no fiscal impact on state, county and local revenue.

METHODOLOGY:

This bill repeals the provision which allows group I and group II members of the New Hampshire Retirement System to purchase credit for out of state service. The New Hampshire Retirement System states a review of member's out of state service credit purchases made from FY 2008 through FY 2010 resulted in increased System costs ranging from .03% to .05% of membership payroll. Consequently, for the purposes of estimating the fiscal impact of the proposed legislation, the System calculated estimated cost savings at .04% of membership payroll. The System states if enacted, this bill would not affect employer contribution rates for FY 2011, FY 2012, or FY 2013 as rates for those fiscal years have already been established. However, the System states their actuaries project the following reductions in state and political subdivision employer contributions in FY 2014 and FY 2015:

Fiscal Year 2014

Classification	State	Political Subdivisions	Total
Employees	(\$248,384)	(\$273,056)	(\$521,440)
Teachers	(\$170,416)	(\$316,487)	(\$486,903)
Police	(\$65,236)	(\$58,057)	(\$123,293)
Fire	(\$19,380)	(\$32,624)	(\$52,004)
Total	(\$503,416)	(\$680,224)	(\$1,183,640)

Fiscal Year 2015

Classification	State	Political Subdivisions	Total
Employees	(\$259,561)	(\$285,343)	(\$544,904)

HB 461-FN - AS INTRODUCED

- Page 3 -

Teachers	(\$178,085)	(\$330,728)	(\$508,813)
Police	(\$68,172)	(\$60,669)	(\$128,841)
Fire	(\$20,251)	(\$34,092)	(\$54,343)
Total	(\$526,069)	(\$710,832)	(\$1,236,901)

The New Hampshire Retirement System does not anticipate incurring any additional administrative costs in implementing this bill. The System's actuaries are unable to separate local and county expenditures from their actuarial valuation within totals for political subdivisions. The System did not provide estimates beyond FY 2015.

CHAPTER 158
HB 461-FN - FINAL VERSION

2011 SESSION

11-0364
10/09

HOUSE BILL **461-FN**

AN ACT relative to repealing the authority for retirement system members to purchase service credit for certain out-of-state service.

SPONSORS: Rep. Hawkins, Hills 18; Rep. Reagan, Rock 1; Rep. Harding, Graf 11; Rep. Kurk, Hills 7; Sen. Boutin, Dist 16; Sen. White, Dist 9

COMMITTEE: Special Committee on Public Employee Pensions Reform

ANALYSIS

This bill repeals provisions which allow group I and group II members of the New Hampshire retirement system to purchase credit for out-of-state service.

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.

CHAPTER 158
HB 461-FN - FINAL VERSION

11-0364
10/09

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Eleven

AN ACT relative to repealing the authority for retirement system members to purchase service credit for certain out-of-state service.

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

1 158:1 Repeal. The following are repealed:

2 I. RSA 100-A:4-b, relative to group I employees and teachers purchase of credit for out-of-
3 state service.

4 II. RSA 100-A:4-c, relative to group II members purchase of credit for out-of-state service.

5 158:2 Effective Date. This act shall take effect 60 days after its passage.

6

7 Approved: Enacted in accordance with Article 44, Part II, of N.H. Constitution, without signature of
8 the Governor, June 9, 2011.

9 Effective Date: August 8, 2011

Committee Minutes

**SENATE CALENDAR NOTICE
EXECUTIVE DEPARTMENTS AND ADMINISTRATION**

- ✓ Senator Sharon Carson Chairman
- ✓ Senator Fenton Groen V Chairman
- ✓ Senator Sylvia Larsen
- ✓ Senator Jim Luther
- ✓ Senator Raymond White

For Use by Senate Clerk's Office ONLY	
<input type="checkbox"/> Bill Status	
<input type="checkbox"/> Docket	
<input type="checkbox"/> Calendar	
Proof: <input type="checkbox"/> Calendar	<input type="checkbox"/> Bill Status

Date: March 23, 2011

HEARINGS

Thursday

3/31/2011

EXECUTIVE DEPARTMENTS AND ADMINISTRATION

SH 100

9:00 AM

(Name of Committee)

(Place)

(Time)

EXECUTIVE SESSION MAY FOLLOW

9:00 AM	HB136-FN	repealing the uniform athlete agents act.
9:10 AM	HB491-FN	relative to divestiture of retirement system assets relating to Sudan.
9:20 AM	HB461-FN	relative to repealing the authority for retirement system members to purchase service credit for certain out-of-state service.
9:40 AM	HB462-FN	relative to the determination of employer assessments for excess benefits paid by employers in the retirement system.
10:00 AM	HB464-FN	requiring the transfer of certain retirement system group II special account funds to the state annuity accumulation fund.
10:20 AM	HB231-FN	(New Title) relative to payment of medical benefits for state retirees, their spouses, and dependents.

Sponsors:

HB136-FN

Rep. Carol McGuire

HB491-FN

Rep. Kenneth Hawkins

Rep. Janet Wall

HB461-FN

Rep. Kenneth Hawkins

Rep. John Reagan

Rep. Laurie Harding

Rep. Neal Kurk

Sen. David Boutin

Sen. Raymond White

HB462-FN

Rep. Kenneth Hawkins

Rep. John Reagan

Rep. Laurie Harding

Rep. Neal Kurk

Sen. Jeb Bradley

Sen. David Boutin

Sen. Raymond White

HB464-FN

Rep. Kenneth Hawkins

Rep. John Reagan

Rep. Neal Kurk

Sen. Jeb Bradley

Sen. Raymond White

HB231-FN

Rep. Neal Kurk

Executive Dept. and Administration Committee

Hearing Report

TO: Members of the Senate

FROM: Deb Chroniak, Legislative Aide

RE: Hearing report on HB 461-FN – relative to repealing the authority for retirement system members to purchase service credit for certain out-of-state service.

HEARING DATE: March 31, 2011

MEMBERS OF THE COMMITTEE PRESENT: Senator Sharon Carson, Dist. 14; Dist. 6; Senator Sylvia Larsen, Dist. 15; Senator Jim Luther, Dist. 12; Senator Ray White, Dist. 9

MEMBERS OF THE COMMITTEE ABSENT: Senator Fenton Groen, Dist. 6.

Sponsor(s): Rep. Hawkins, Hills 18; Rep. Reagan, Rock 1; Rep. Harding, Graf 11; Rep. Kurk, Hills 7; Sen. Boutin, Dist 16; Sen. White, Dist 9

What the bill does: This bill repeals provisions which allow group I and group II members of the New Hampshire retirement system to purchase credit for out-of-state service.

Who supports the bill: Senator David Boutin, Dist. 16; Rep. Carol McGuire, Merr. 8; Senator Ray White, Dist. 9;

Who opposes the bill: Arthur J. Beaudry, NH State Firefighters; Jay Ward, SEA; Bob Blaisdell, NHPA/NHTA; Esther Dickinson, PFF NH; Laura Hainey, ATF-NH

Neutral: Barbara Reid, NHMA

The hearing opened at 9: 20 a.m.

Senator Carson opened the hearing by calling on the prime sponsor of the bill.

Summary of testimony received:

- Representative Kenneth Hawkins (testimony provided) stated that the people who are going to buy into the retirement system are the people who are going to retire.

- Currently, depending on the numbers, 18-22% of people who start to work and are in the pension system leave within the first seven years. In the state workers about 25% leave within the first year.

- This RSA was brought forward during the late 70s or early 80s to recruit teachers, there was a shortage of them, which was the purpose of putting this legislation in. Group II and police have taken advantage of this and have also used this legislation for a recruiting tool. Representative Hawkins stated that we are the only state that allows 20 years and retirement at 45 years of age. The legislation would allow 70-80% of base pay at age 45 for retirement.

- This legislation passed through the House last year, but when it came over to the Senate it was amended for another purpose.

- Senator Carson asked if this is the same thing that is included in SB 3?

- Representative Hawkins stated that he has not seen the final version of SB 3, but realizes that it was amended in Finance.

- Senator Larsen asked if this was also contained in HB 580, with Representative Hawkins indicated that it was not, and that was why this bill was brought forward.

- Barbara Reid from the New Hampshire Municipal Association then spoke indicating that she was not opposed nor in support of this legislation, but wanted to explain some of the concerns that the NHMA has.

- In SB 3, Section 23 the purchase of out of state service credit is repealed.

- Ms. Reid asked managers within the Municipality and they stated to her, that yes, it was used as a recruitment tool.

- Provision, which is in current law, is not advantageous to the system, the way that it is written.

• The history of the statute was that if you were joining the NH Retirement System from out of state, you had to make that choice within 18 months whether you were to transfer into the NH Retirement System, at which time, the monies would also be transferred into the NH Retirement System. That requirement time period was repealed.

• Senator Luther asked if Ms. Reid was comfortable with the way that SB 3 addressed the issue, and Ms. Reid stated that SB 3 repealed this issue and that the way it is presently written, that it is financially at a disadvantage to be used as a tool for employment.

• Senator White then spoke as a co-sponsor to this bill and emphasized that this bill states that credits that have been purchased in the past that there was a missing component which is the time growth of money. Two-thirds of the dollars that are paid out are a result of earnings – not the result of employee/employer contributions; they are the result of the time growth of money. The simplest solution is to repeal the ability to purchase service credits. If at a later date we need the recruitment tool, great care and study needs to be put into how the credits will be purchased. These issues cannot be underestimated.

• Bob Blaisdell (opposed) lobbyist for the Demers Group and also representing the New Hampshire Police Association and the New Hampshire Troopers Association then spoke. Mr. Blaisdell is in support of the amended version, which passed the House Pension Committee, but that was flipped on the floor. What the amendment did is say that you can continue to use as a recruiting tool – to get good qualified people, but to buy into the system, you have to pay for the full actuarial cost, and stated he thought that was a fair compromise.

• Senator Luther asked about the amended version of the bill and Mr. Blaisdell stated there was an amended bill which passed the Pension Committee in the House by 6-5 OTP/A – 0624h. But, did fail by OTP motion of 88-215 according to the docket.

Hearing closed at 9:37 a.m.

Funding: The New Hampshire Retirement System states this bill will decrease state expenditures by \$503,415 in FY 2014 and \$526,069 in FY 2015, and will decrease county and local expenditures by \$680,224 in FY 2014, and \$710,833 in FY 2015. There will be no fiscal impact on state, county and local revenue.

Future Action: Pending.

DAC

[file: HB 461-FN report]

Date: 04-01-11

Speakers

SENATE EXECUTIVE DEPARTMENTS AND ADMINISTRATION COMMITTEE

Date: March 31, 2011 Time: 9:20 a.m. Public Hearing on HB 461-FN

HB 461-FN - relative to repealing the authority for retirement system members to purchase service credit for certain out-of-state service.

Please check box(es) that apply:

Please check if

	SPEAKING	FAVOR	OPPOSED	NAME (Please print)	REPRESENTING
--	----------	-------	---------	---------------------	--------------

Laura Haincy

AFT-UIA

Testimony

#1

Ingram, Dick

From: Ken.Alberts@gabrielroeder.com
Sent: Wednesday, April 28, 2010 9:24 AM
To: Ingram, Dick; Crutchfield, Timothy
Cc: david.kausch@gabrielroeder.com
Subject: FW: Service purchase history

Dick/Tim:

In response to Rep Sullivan's email we would like to provide the following:

Service purchases are almost never to the advantage of the system because the members who make those purchases always have more information than the system does and is not representative of the system's average member. Therefore there is a great risk for anti-selection (the members getting the most benefits being the only ones that utilize the provision). **However, service purchase provisions are not created to give the system an advantage.** Service purchase provision are created to provide an advantage to the employer and the employee. The advantage to the employee is that it provides additional flexibility/benefits (which is usually desirable from the employees' perspective). The advantage to the employer is that it makes them more competitive in hiring and retaining quality employees that might not otherwise accept employment.

Because there is almost never an advantage to the system, if the plan sponsor decides the system should provide this benefit, the system needs to develop a method of calculating service purchase costs that:

- 1) fairly charge the members for the cost of the purchase; and
- 2) minimizes the risk to the system.

We believe the language in the statute that GRS helped develop allows the Board to achieve both of those objectives. It also allows the Board to adjust the calculations, as experience necessitates to continually ensure the method is in line with the objectives.

Please let us know if you would like to discuss this further.

Thanks,
 Ken

Circular 230 Notice: Pursuant to regulations issued by the IRS, to the extent this communication (or any attachment) concerns tax matters, it is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) marketing or recommending to another party any tax-related matter addressed within. Each taxpayer should seek advice based on the individual's circumstances from an independent tax advisor.

Kenneth G. Alberts
 Gabriel, Roeder, Smith & Company
 One Towne Square
 Suite 800
 Southfield, Michigan 48076-3723

Telephone: 248-799-9000 Fax: 248-799-9020
 ken.alberts@gabrielroeder.com

The above communication shall not be construed to provide tax advice or legal advice unless it contains one of the following phrases, or substantially equivalent language: "This communication is intended to provide tax advice" or "This communication is intended to provide legal advice."

Notice of Confidentiality

This transmission contains information that may be confidential and that may also be privileged. Unless you are the intended recipient of the message (or authorized to receive it for the intended recipient), you may not copy, forward, or otherwise use it, or disclose its contents to anyone else. If you have received this transmission in error, please notify the sender immediately and delete it from your system.

From: originalsully@comcast.net [mailto:originalsully@comcast.net]
Sent: Tuesday, April 27, 2010 6:06 PM
To: Timothy Crutchfield; Alberts, Ken (SOP1)
Cc: john reagan; ricia mcMahon; Dick Ingram; khawkins2@comcast.net
Subject: Re: Service purchase history

Tim,

I do have one more question, one I wish I'd thought of asking during the infamous "conference call" with Ken Alberts from the GRS. That is, when he said those much ballyhooed words, "it's never to the system's benefit when people are allowed to buy service credits", (which I remember as being "it's ALMOST never to the system's benefit ..."), did he mean the way it's being done now? Like there will never be a circumstance where it will be cost neutral, or to the benefit of the system? I know you can't answer for Ken, but I've ccd him on this and maybe I can understand more clearly. I still think my amendment would allow people buying service credits to do so and make the system whole.

Thanks,
 Rep. Dan Sullivan

5/27/2010

Committee Report

STATE OF NEW HAMPSHIRE
SENATE
REPORT OF THE COMMITTEE

Date: April 28, 2011

THE COMMITTEE ON Executive Departments and Administration

to which was referred House Bill 461-FN

AN ACT relative to repealing the authority for retirement system
members to purchase service credit for certain out-of-state
service.

Having considered the same, the committee recommends that the Bill:

OUGHT TO PASS

BY A VOTE OF: 3-0

AMENDMENT # s

Senator Raymond White
For the Committee

Deb Chroniak 271-1403

New Hampshire General Court - Bill Status System

Docket of HB461

Docket Abbreviations

Bill Title: relative to repealing the authority for retirement system members to purchase service credit for certain out-of-state service.

Official Docket of HB461:

Date	Body	Description
1/21/2011	H	Introduced 1/6/2011 and Referred to Special Committee on Public Employee Pensions Reform; HJ 11 , PG. 187
2/2/2011	H	===CANCELLED=== Public Hearing: 3/11/2011 10:00 AM LOB 201-203
2/2/2011	H	==RESCHEDULED== Public Hearing: 2/11/2011 9:00 AM LOB 201-203 (Orig 10:00 AM)
2/11/2011	H	Subcommittee Work Session: 2/16/2011 2:00 PM LOB 204
2/11/2011	H	==CANCELLED==Full Committee Work Session: 2/18/2011 2:00 PM LOB 201-203
2/11/2011	H	==CANCELLED==Executive Session: 2/18/2011 3:00 PM LOB 201-203
3/2/2011	H	==RESCHEDULED== Full Committee Work Session: 3/4/2011 2:00 PM LOB 305-307 (Orig LOB 201-203)
3/2/2011	H	Executive Session: 3/4/2011 3:00 PM LOB 201-203 ==RECESSED==
3/7/2011	H	Continued Executive Session: 3/9/2011 12:00 PM LOB 305-307 ==ROOM CHANGE (Orig LOB 205)==
3/10/2011	H	Committee Report: Ought to Pass with Amendment #0624h(NT) for Mar 15 (Vote 6-5; RC); HC 22 , PG.567
3/10/2011	H	Proposed Committee Amendment #2011-0624h (New Title); HC 23 , PG.635-636
3/16/2011	H	Amendment #0624h (New Title) Failed, RC 88-215 ; HJ 28 , PG.941-944
3/16/2011	H	Ought to Pass: MA RC 229-75 ; HJ 28 , PG.941-945
3/16/2011	H	Reconsideration (Rep Bettencourt): MF VV; HJ 28 , PG.946
3/23/2011	S	Introduced and Referred to Executive Departments and Administration; SJ 11 , Pg.192
3/24/2011	S	Hearing: 3/31/11, Room 100, State House, 9:20 a.m.; SC17
4/28/2011	S	Committee Report: Ought to Pass, 5/4/11; SC22
5/4/2011	S	Ought to Pass, MA, VV; Refer to Finance Rule 4-3; SJ 15 , Pg.304
5/12/2011	S	Committee Report: Ought to Pass, 5/18/11; SC24
5/18/2011	S	Ought to Pass, MA, VV; OT3rdg; SJ 17
5/18/2011	S	Passed by Third Reading Resolution; SJ 17
6/1/2011	S	Enrolled
6/1/2011	H	Enrolled
6/9/2011	H	Law Without Signature 06/09/2011; Effective 08/08/2011; Chapter 0158; NH Constitution, Art.44, Pt.II

NH House

NH Senate

Other Referrals

COMMITTEE REPORT FILE INVENTORY

HB 461-FN ORIGINAL REFERRAL

RE-REFERRAL

1. THIS INVENTORY IS TO BE SIGNED AND DATED BY THE COMMITTEE AIDE AND PLACED INSIDE THE FOLDER AS THE FIRST ITEM IN THE COMMITTEE FILE.
2. PLACE ALL DOCUMENTS IN THE FOLDER FOLLOWING THE INVENTORY IN THE ORDER LISTED.
3. THE DOCUMENTS WHICH HAVE AN "X" BESIDE THEM ARE CONFIRMED AS BEING IN THE FOLDER.
4. THE COMPLETED FILE IS THEN DELIVERED TO THE CALENDAR CLERK.

- DOCKET (Submit only the latest docket found in Bill Status)
- COMMITTEE REPORT
- CALENDAR NOTICE
- HEARING REPORT
- PREPARED TESTIMONY AND OTHER SUBMISSIONS HANDED IN AT THE PUBLIC HEARING
TESTIMONY #1
- SIGN-UP SHEET(S)

ALL AMENDMENTS (passed or not) CONSIDERED BY COMMITTEE:

___ - AMENDMENT # ___ - AMENDMENT # ___
___ - AMENDMENT # ___ - AMENDMENT # ___

ALL AVAILABLE VERSIONS OF THE BILL:

AS INTRODUCED ___ AS AMENDED BY THE HOUSE
 FINAL VERSION ___ AS AMENDED BY THE SENATE

___ OTHER (Anything else deemed important but not listed above, such as amended fiscal notes):

DATE DELIVERED TO SENATE CLERK

7/29/11

BY:

Rebecca J. Kosciak
COMMITTEE AIDE