

Bill as Introduced

HIB 1306-FN-LOCAL - AS INTRODUCED

2012 SESSION

12-2603
10/09

HOUSE BILL *1306-FN-LOCAL*

AN ACT requiring retirement system employers to make contributions for part-time employment of retired members of the retirement system.

SPONSORS: Rep. Hawkins, Hills 18

COMMITTEE: Special Committee on Public Employee Pensions Reform

ANALYSIS

This bill requires retirement system employers to make contributions based on the unfunded accrued liability and medical benefits employer share for retired members employed on a part-time basis.

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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT requiring retirement system employers to make contributions for part-time employment of retired members of the retirement system.

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

- 1 1 New Paragraph; Retirement System; Employer Contributions; Part-time Employment of
2 Retired Member. Amend RSA 100-A:16 by inserting after paragraph II-a the following new
3 paragraph:
4 II-b. In addition to employer contributions required under paragraph II, an employer who
5 employs a retired member for part-time employment shall make contributions at the percentage
6 rates certified by the board of trustees for the compensation paid to such part-time employee;
7 provided that the percentage rates applied shall only be for the employer's share of the unfunded
8 accrued liability determined under subparagraph II(e) and the medical benefits contributions under
9 RSA 100-A:50 through 100-A:55 for the member classification of such part-time employee.
10 2 Effective Date. This act shall take effect July 1, 2012.

LBAO
12-2603
Revised 11/04/11

HB 1306-FN-LOCAL - FISCAL NOTE

AN ACT requiring retirement system employers to make contributions for part-time employment of retired members of the retirement system.

FISCAL IMPACT:

The New Hampshire Retirement System states this bill will have an indeterminable impact on state, county, and local expenditures in FY 2013 and each year thereafter. There will be no impact on state, county, and local revenues.

METHODOLOGY:

The New Hampshire Retirement System states this bill would require participating employers to make employer contributions, at percentage rates certified by the board of trustees, on wages paid to retired members of the retirement system employed on a part-time basis. The System further states such percentage rates would only be for the employer's unfunded actuarial accrued liability (UAAL) and the medical subsidy benefit and the retirees working part-time would not contribute nor would they accrue any additional retirement benefits. The System states under this bill employer contributions received for the UAAL would be greater than otherwise expected resulting in a more rapid amortization and ultimately reducing employer contributions for the UAAL amortization. The System states under RSA 100-A, the annual funding for the medical subsidy is limited to the lesser of 25% of the total employer contributions or the solvency rate and at the present time and for the foreseeable future, the limiting factor for determining the maximum contributions for the medical subsidy benefit is the solvency rate. Therefore, any contributions received for the medical subsidy as a result of this bill would reduce the amount of employer contributions paid for active members. The System states participating employers employing retired rehired members for part-time employment may pay more in terms of dollars contributed than those employer who do not employ such individuals, but in the aggregate, the contributions toward the medical subsidy would not be changed as a result of this bill. Ultimately, the System states as it does not have any data with respect to retired members who are working part-time for participating employers, it is unable to estimate the fiscal impact resulting from this bill.

The System further states it estimates it would incur an indeterminable amount in administrative costs in FY 2013 to implement the changes in this bill.

Amendments



Rep. Hawkins, Hills. 18
February 14, 2012
2012-0772h
10/03

"Not Adopted"

Amendment to HB 1306-FN-LOCAL

1 Amend the bill by replacing section 1 with the following:

2

3 1 New Paragraph; Retirement System; Employer Contributions; Part-time Employment of
4 Retired Member. Amend RSA 100-A:16 by inserting after paragraph II-a the following new
5 paragraph:

6 II-b. In addition to employer contributions required under paragraph II, an employer who
7 employs a retired member for part-time employment shall make contributions at the percentage
8 rates certified by the board of trustees for the compensation paid to such part-time employee;
9 provided that the percentage rates applied shall only be for the employer's share of the unfunded
10 accrued liability determined under subparagraph II(e) for the member classification of such part-
11 time employee.



2012-0772h

AMENDED ANALYSIS

This bill requires retirement system employers to make contributions based on the unfunded accrued liability rates for retired members employed on a part-time basis.



" Not Adopted "

Amendment to HB 1306-FN-LOCAL

1 Amend the bill by replacing all after the enacting clause with the following:

2

3 1 New Paragraph; Retirement System; Employer Contributions; Part-time Employment of
4 Retired Member. Amend RSA 100-A:16 by inserting after paragraph II-a the following new
5 paragraph:

6 II-b. In addition to employer contributions required under paragraph II, an employer who
7 employs a retired member for part-time employment shall make contributions at the percentage
8 rates certified by the board of trustees for the compensation paid to such part-time employee;
9 provided that the percentage rates applied shall only be for the employer's share of the unfunded
10 accrued liability determined under subparagraph II(e) for the member classification of such part-
11 time employee.

12 2 Retirement System Employers; Report on Part-time Wages of Retirees; Revenue
13 Administration Report.

14 I. Each employer in the retirement system, as defined in RSA 100-A:1, IV, shall compile
15 from its employee's W-2 information the total dollars paid for each part-time employee who is a
16 retired member of the New Hampshire retirement system, and shall submit to the department of
17 revenue administration on or before September 1, 2012 the names of such part-time employees, the
18 amount paid in wages to the employee in the previous state fiscal year, and the retirement system
19 group and classification from which the employee is retired.

20 II. The department of revenue administration shall provide a report to the chairperson of
21 the house special committee on public employee pensions reform on or before November 1, 2012
22 compiling and detailing the information received under paragraph I.

23 3 Contingent Effectiveness; Determination of Fiscal Committee. If, following the receipt of the
24 report by the house special committee on public employee pensions reform under section 2 of this act,
25 the legislative fiscal committee determines by majority vote that the additional employer
26 contributions for part-time employees for unfunded accrued liability would not significantly affect
27 unfunded accrued liability, then section 1 of the act shall not take effect. Otherwise, section 1 of this
28 act shall take effect July 1, 2013.

29 4 Effective Date.

30 I. Section 1 of this act shall take effect as provided in Section 3 of this act.

31 II. The remainder of this act shall take effect upon its passage.



2012-0919h

AMENDED ANALYSIS

This bill requires retirement system employers to make contributions based on the unfunded accrued liability rates for retired members employed on a part-time basis. The bill also requires reports based on the wages of part-time retired employees and allows the fiscal committee to vote on the effectiveness of the requirement.

Amendment to HB 1306-FN-LOCAL

1 Amend the title of the bill by replacing it with the following:

2

3 AN ACT requiring a report on part-time employment of retired members of the retirement
4 system.
5

6 Amend the bill by replacing all after the enacting clause with the following:

7

8 1 Retirement System Employers; Report on Part-time Wages of Retirees; Revenue
9 Administration Report.

10 I. Each employer in the retirement system, as defined in RSA 100-A:1, IV, shall compile
11 from its employee's W-2 information the total dollars paid for each part-time employee who is a
12 retired member of the New Hampshire retirement system, and shall submit to the department of
13 revenue administration on or before September 1, 2012 the names of such part-time employees, the
14 amount paid in wages to the employee in the previous state fiscal year, and the retirement system
15 group and classification from which the employee is retired.

16 II. The department of revenue administration shall provide a report to the chairperson of
17 the house special committee on public employee pensions reform on or before November 1, 2012
18 compiling and detailing the information received under paragraph I.

19 2 Effective Date. This act shall take effect upon its passage.

Amendment to HB 1306-FN-LOCAL

- Page 2 -

2012-0986h

AMENDED ANALYSIS

The bill requires retirement system employers to provide information on the wages of part-time employees who are retired members of the retirement system and for the department of revenue administration to report to the house special committee on public employee pensions reform.

Speakers

Hearing Minutes

HOUSE SPECIAL COMMITTEE ON PUBLIC EMPLOYEE PENSIONS REFORM

PUBLIC HEARING ON HB 1306-FN-LOCAL

BILL TITLE: requiring retirement system employers to make contributions for part-time employment of retired members of the retirement system.

DATE: January 6, 2012

LOB ROOM: 201 & 203 **Time Public Hearing Called to Order:** 1:00 p.m.

Time Adjourned: 1:45 p.m.

(please circle if present)

Committee Members: Reps. Hawkins, Sedensky, Shuler, W. Smith, Moran, Laware, Kurk, Waddell, Avar, Bower, Winter, Cohn, Shurtleff, Baroddy, Long and D. Sullivan

Bill Sponsors: Rep. Hawkins, Hills 18

TESTIMONY

* Use asterisk if written testimony and/or amendments are submitted.

The hearing was opened by Chairman Ken Hawkins at 1:03 PM in Room LOB 205-207. The chair was relinquished to Rep. Neal Kurk so that Rep. Hawkins, the prime sponsor, could present the bill

TESTIMONY RECEIVED -

1. Rep. Ken Hawkins - Prime Sponsor - SUPPORTS

This bill describes contributions made to the retirement system for part time employees who are re-hired after retirement. Although no benefits are to be accrued by the newly hired retirees, this contribution will help lower the unfunded liability for the retirement fund more quickly. A question was asked if it would be cheaper to bond the \$4 billion liability. Rep. Hawkins replied that it might but he does not think that we could sell a \$4 billion bond.

This bill is also crafted to respond to the unintended consequence of teachers being reclassified as "part time" since they work only 30 hours per week. In spite of their reduced hours compared to the standard employee, this is the work week scheduled for full time teachers.

2. Barbara Reid - NH Municipal Assn. - MILD OPPOSITION

A problem arises with retirees from the NH Retirement System who come from another town or state that have not had any retirement costs. This would add a new cost to the towns. She did admit that the hiring of a former NHRS employee which would then incur the cost is

a choice that would be made by the employer, be it a town or a school district. They are not required to hire such individuals and thus there is no down shifting.

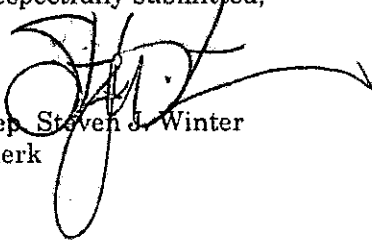
3. Arthur Beaudry - NH Permanent Firefighters Retirement Assn. - SUPPORTS

It is good to see that this bill has the unfunded liability paid for by the employer rather than by the employees.

4. Laura Hainey - American Federation of Teachers - NH - UNDECIDED

Her organization needs clarification regarding teachers who retire and then return as paraprofessionals or staff.

Respectfully submitted,


Rep. Steven J. Winter
Clerk

HOUSE SPECIAL COMMITTEE ON PUBLIC EMPLOYEE PENSIONS REFORM

PUBLIC HEARING ON HB 1306-FN-LOCAL

BILL TITLE: requiring retirement system employers to make contributions for part-time employment of retired members of the retirement system.

DATE: January 6, 2012

LOB ROOM: 201 & 203 **Time Public Hearing Called to Order:** 1:00 p.m.

Time Adjourned: 1:45 pm

(please circle if present)

Committee Members: Reps. Hawkins, Sedensky, Shuler, W. Smith, Moran, Laward, Kurk, Waddell, Avard, Bowers, Wintz, Cohn, Shurtleff, Baroody, Long and D. Sullivan.

Bill Sponsors: Rep. Hawkins, Hills 18

TESTIMONY

* Use asterisk if written testimony and/or amendments are submitted.

SPECIAL COMMITTEE ON RETIREMENT REFORM
HOUSE BILL 1306
TESTIMONY ON JANUARY 6, 2012

The hearing was opened by Chairman Ken Hawkins at 1:03 PM in Room LOB 205-207. The chair was relinquished to Rep. Neal Kurk so that Rep. Hawkins, the prime sponsor, could present the bill

TESTIMONY RECEIVED –

1. Rep. Ken Hawkins – Prime Sponsor – SUPPORTS

This bill describes contributions made to the retirement system for part time employees who are re-hired after retirement. Although no benefits are to be accrued by the newly hired retirees, this contribution will help lower the unfunded liability for the retirement fund more quickly. A question was asked if it would be cheaper to bond the \$4 billion liability. Rep. Hawkins replied that it might but he does not think that we could sell a \$4 billion bond.

This bill is also crafted to respond to the unintended consequence of teachers being reclassified as “part time” since they work only 30 hours per week. In spite of their reduced hours compared to the standard employee, this is the work week scheduled for full time teachers.

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3. Arthur Beaudry – NH Permanent Firefighters Retirement Assn. - SUPPORTS

It is good to see that this bill has the unfunded liability paid for by the employer rather the by the employees.

4. Laura Hainey – American Federation of Teachers - NH – UNDECIDED

Her organization needs clarification regarding teachers who retire and then return as paraprofessionals or staff.

There being no further testimony, Rep. Kurk closed the meeting at 1:45 PM.

Sub-Committee Minutes

HOUSE SPECIAL COMMITTEE ON PUBLIC EMPLOYEE PENSIONS REFORM

SUBCOMMITTEE WORK SESSION ON HB 1306-FN-LOCAL

BILL TITLE: requiring retirement system employers to make contributions for part-time employment of retired members of the retirement system.

DATE: February 10, 2012

Subcommittee Members: Reps. Hawkins, Sedensky, Kirk, Moran, Smith, Wintz, Avard, Bowers, Cohn, Shuler, Wadden, Shurtleff, Long, Sullivan, Lawars, and Barood

Comments and Recommendations:

Amendments:

| | |
|---------------|-----------------|
| Sponsor: Rep. | OLS Document #: |
| Sponsor: Rep. | OLS Document #: |
| Sponsor: Rep. | OLS Document #: |

Motions: OTP, OTP/A, ITL, Interim Study (Please circle one.)

Moved by Rep.

Seconded by Rep.

Vote:

Motions: OTP, OTP/A, ITL, Interim Study (Please circle one.)

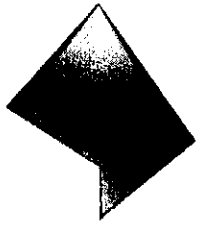
Moved by Rep.

Seconded by Rep.

Vote:

Respectfully submitted,

Rep.
Subcommittee Chairman/Clerk



NHRS

New Hampshire Retirement System

NH Retirement System
54 Regional Drive
Concord, NH 03301
Phone: (603) 410-3500
www.nhrs.org

NHRS Bill Brief: HB 1306-FN (as introduced)

Prepared for the NH House Special Committee on Public Employee Pensions Reform

Summary: AN ACT requiring retirement system employers to make contributions for part-time employment of retired members of the retirement system.

Analysis: This bill requires retirement system employers to make contributions based on the unfunded accrued liability and medical benefits employer share for retired members employed on a part-time basis.

Sponsor: Rep. Hawkins, Hills 18

Financial Considerations

Employers: State and political subdivisions (participating employers) will make employer contributions on wages paid to retired members of the retirement system employed on a part-time basis. The contributions will be for the employer's rate for the unfunded actuarial accrued liability (UAAL) and the Medical Subsidy benefit only.

The FY 12-13 employer contribution rates on the UAAL and Medical Subsidy would be:

| EMPLOYEE GROUP | UUAL RATE | MEDICAL SUBSIDY RATE | PROPOSED EMPLOYER RATE ON NHRS RETIREES |
|------------------|-----------|----------------------|---|
| Group I Employee | 6.04% | 0.32%* / 1.60%** | 6.36%* / 7.64%** |
| Group I Teacher | 7.77% | 2.31% | 10.08% |
| Group II Police | 10.46% | 3.97% | 14.43% |
| Group II Fire | 11.68% | 3.97% | 15.65% |

* Political subdivisions; ** State of NH

Members: No contributions required. Retired members would not accrue additional benefits.

Impact on Unfunded Accrued Actuarial Liability (UAAL): The additional employer contributions received for the UAAL will result in a more rapid amortization of the UAAL. Because employer contributions received for the UAAL would be greater than otherwise expected employer contributions for the UAAL amortization will ultimately be reduced. The extent of the decline of the UAAL and of future contribution rates for the amortization of the UAAL would depend on the magnitude of the additional contributions.

Impact on Medical Subsidy: Contributions received for the Medical Subsidy as a result of this bill would reduce the amount of employer contributions paid for active members.

NHRS Administrative cost: NHRS will require additional costs for computer software modifications and other administrative costs to collect employer contributions on the part-time wages identified in this bill.

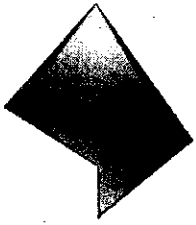
Fiscal impact: Indeterminable. NHRS has never collected data for any part-time employees, including retired members who are working part-time for participating employers. Without this base data, the fiscal impact of this bill, including additional costs for employers in Fiscal 2013, cannot be determined.

Other Considerations

- The bill does not provide specific guidance on how individual employers should certify and report employer contributions made on behalf of NHRS retirees working for them on a part-time basis.
- The bill does not define "part-time employee" specifically in statute.
- The bill does not state the first payroll impacted by this bill; i.e. wages earned in July only, or all wages paid after July 1 regardless of when earned?

#

Testimony



NHRS

New Hampshire Retirement System

NH Retirement System
54 Regional Drive
Concord, NH 03301
Phone: (603) 410-3500
www.nhrs.org

NHRS Bill Brief: HB 1306-FN (as introduced)

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* Political subdivisions; ** State of NH

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Impact on Medical Subsidy: Contributions received for the Medical Subsidy as a result of this bill would reduce the amount of employer contributions paid for active members.

NHRS Administrative cost: NHRS will require additional costs for computer software modifications and other administrative costs to collect employer contributions on the part-time wages identified in this bill.

Fiscal impact: Indeterminable. NHRS has never collected data for any part-time employees, including retired members who are working part-time for participating employers. Without this base data, the fiscal impact of this bill, including additional costs for employers in Fiscal 2013, cannot be determined.

Other Considerations

- The bill does not provide specific guidance on how individual employers should certify and report employer contributions made on behalf of NHRS retirees working for them on a part-time basis.
- The bill does not define "part-time employee" specifically in statute.
- The bill does not state the first payroll impacted by this bill; i.e. wages earned in July only, or all wages paid after July 1 regardless of when earned?

#



Special Committee Public Employee Pension Reform
January 6, 2011
1:00 PM

New Hampshire Retirement Security Coalition Statement on HB 1306

Delivered by New Hampshire AFT President Laura Hainey

The New Hampshire Retirement Security Coalition supports any initiatives that protect the long term financial stability and solvency of the retirement system. However, the Coalition believes that HB 1306 only deals with an inconsequential fraction of the Unfunded Actuarial Accrued Liability (UAAL) issue. The right approach is to make sure that all employer rates are set at an adequate level to pay the UAAL over the required 30 year amortization schedule.

Members of the NH Retirement Security Coalition:

Sandy Amlaw, New Hampshire Retired Educators Association
Steve Arnold, NE Police Benevolent Association
Arthur Beaudry, New Hampshire State Permanent Fire Fighters Retirement Association
Chief James Burkush, New Hampshire Association of Fire Chiefs
Dennis Caza, Teamsters Union Local 633
Marc Beaudoin, New Hampshire Troopers Association
Laura Hainey, American Federation of Teachers – New Hampshire
Mark Joyce, NH School Administrators Association
Diana Lacey, State Employees Association of New Hampshire – SEIU Local 1984
Dave Lang, Professional Fire Fighters of New Hampshire
Mark MacKenzie, New Hampshire AFL-CIO
Harriett Spencer, American Federation of State County and Municipal Employees Council 93
Jeff Stiegler, New Hampshire Police Association
Rhonda Wesolowski, NEA - New Hampshire

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NHRS

New Hampshire Retirement System

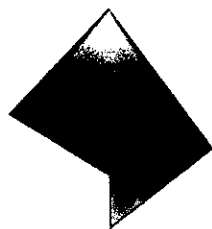
A Component Unit Of The State Of New Hampshire

BENEFITS
TEACHER EARNABLE COMPENSATION
SESSION
RETIREMENT
EMPLOYER CREDITABLE SERVICE POLICE CONTRIBUTION
ANNUITY MEMBER PENSION FIRE TRUSTEES
VESTING AVERAGE FINAL COMPENSATION SURVIVORSHIP OPTION ACCUMULATED CONTRIBUTIONS
DEFINED BENEFIT PLAN EMPLOYEE
IN SERVICE

Summary Annual Financial Report For The Fiscal Year Ended June 30, 2011



The New Hampshire Retirement System is a promise keeper. Our role is that of a fiduciary — administering the retirement benefit commitments made by our participating employers to their employees who are our members — according to the plan provisions as enacted by the State Legislature. Our ability to deliver on these promises is derived from investing member and employer contributions in a manner consistent with our long-term obligations and administering the System fairly and efficiently.



NHRS

New Hampshire Retirement System

About this report

The New Hampshire Retirement System (NHRS, the retirement system) is pleased to present the Summary Annual Financial Report for the fiscal year ended June 30, 2011. This report is intended to provide an overview of NHRS financial, investment, and demographic information in an easy-to-understand format.

About NHRS

NHRS was established in 1967 as a contributory, defined benefit plan. The plan provides lifetime pension benefits that are determined at retirement under formulas prescribed by law; the pension benefit is not based on investment returns or contributions.

The retirement system provides service retirement, early retirement, disability retirement, and vested deferred retirement benefits, as well as pre- and post-retirement death benefits. It also provides eligible retirees and beneficiaries with other post-employment benefits (OPEB). This benefit consists of a post-retirement Medical Subsidy, which is a payment made by NHRS to the retired member's former employer toward the cost of the retired member's health insurance premium.

Benefit formulas and eligibility requirements are set by state law (RSA 100-A). The retirement system is also governed by administrative rules and policies, and the Internal Revenue Code.

Retirement system members are state, county and municipal employees, teachers, police officers, and firefighters. The membership consists of two groups, Group I (Employee and Teacher) and Group II (Police and Fire).

NHRS has 49,738 active, contributing members. Group I members make up 88.5 percent of the total active membership. Group II members make up 11.5 percent of the total active membership.

NHRS has 27,130 pension recipients and 10,577 retirees and/or beneficiaries receiving a post-retirement Medical Subsidy.

Benefits are funded by member contributions, employer contributions, and net investment returns. Investment returns have historically provided the majority of funding for pension benefits.

Learn more

The information included in this report is taken from the retirement system's more detailed Comprehensive Annual Financial Report (CAFR), which is prepared in accordance with Generally Accepted Accounting Principles. Copies of the CAFR, the summary CAFR, and the NHRS annual investment report may be viewed or downloaded at www.nhrs.org.

The Year in Review...

Financial Highlights

- Net assets available to pay benefits increased by \$992.8 million (20.3%) primarily due to strong investment returns.
- The net investment gain during fiscal year 2011 was \$1,131.7 million compared to a net investment gain during fiscal year 2010 of \$568.3 million. The net investment gain for fiscal year 2011 reflects a time-weighted investment return for the total fund during the year of 23.0% compared to a time-weighted investment return of 12.9% for the fiscal year ended June 30, 2010.
- Employer contributions for fiscal year 2011 increased 1.8% to \$307.5 million compared with employer contributions in fiscal year 2010 of \$302.2 million. Employer contribution rates remained the same for fiscal year 2011. The increase in employer contributions in fiscal year 2011 is primarily due to higher reported compensation.
- Member contributions were \$152.4 million in fiscal year 2011, an increase of 1.9% over fiscal year 2010 member contributions of \$149.5 million. Member contribution rates remained the same for fiscal year 2011. The increase in member contributions in fiscal year 2011 is primarily due to higher reported compensation.
- Benefits paid during fiscal year 2011 were \$579.8 million, an increase of 5.4% over the benefits paid in fiscal year 2010 of \$550.0 million. The increase in benefits paid in fiscal year 2011 is primarily due to an increase in the number of retirees and increased average benefit levels for those new retirees.

Legislative Changes

Significant changes to RSA 100-A, the statute governing NHRS, were enacted during the fiscal year 2011 legislative session. The bulleted items that follow provide a brief description of some of the major changes. The list is not meant to be inclusive of all legislation passed. For a more detailed summary of enacted legislation, consult NHRS' website at: http://www.nhrs.org/documents/2011_legislation_grid_07_08_11.pdf.

- Earnable compensation was redefined to eliminate certain types of compensation from the calculation of retirement benefits.
- Average Final Compensation (AFC) used in retirement benefit calculations for certain members was changed from the highest three years of earnable compensation to the highest five years of earnable compensation.
- The maximum initial benefit allowed was capped for certain members.
- The number of years of service and minimum age required to receive retirement benefits was increased for certain Group II members.
- Member contributions rates for all active contributing members were increased effective July 1, 2011.
- Purchases of out-of-state service were eliminated for all member groups.
- \$256.3 million of funds set aside in the Special Account to provide additional benefits such as cost-of-living adjustments (COLAs) were transferred back to the pension trust fund.
- The State of New Hampshire's cost-sharing provision whereby the State paid a certain percentage of local employers' contributions for teacher, police, and fire members was eliminated.
- The composition of the NHRS Board of Trustees was changed.
- Two study committees were created, one charged with looking into creating a defined contribution plan for new hires and the other charged with looking into the status of cost-of-living adjustments for retirees, Medical Subsidy benefits and disability retirement provisions.
- The minimum age required to receive retirement benefits was increased for Group I members hired on or after July 1, 2011.

Major Accomplishments

- Completed a five-year experience study that resulted in a reduction of the assumed rate of return to 7.75% from 8.5%, along with updates to the other economic and demographic actuarial assumptions.
- Provided expanded educational outreach to policymakers and all other interested parties regarding the operations of NHRS in light of the significant retirement-related legislation proposed in 2011.
- Successfully managed an unprecedented number of retirement counseling appointments and applications in the winter and spring of 2011.
- Increased member education opportunities by creating online presentations and additional website content regarding NHRS benefits, and increasing the frequency of member, retiree and employer newsletters.

**Summary Comparative Statements of Plan Net Assets —
Combined Pension and OPEB Plans**

(in millions)

| | As of June 30, 2011 | As of June 30, 2010 | Amount Increase (Decrease) | % Increase (Decrease) |
|--|------------------------|------------------------|----------------------------------|-----------------------------|
| Cash | \$ 3.8 | \$ 7.9 | (\$ 4.1) | (51.9%) |
| Receivables | 309.8 | 156.0 | 153.8 | 98.6% |
| Investments | 5,853.3 | 4,840.7 | 1,012.6 | 20.9% |
| Cash Collateral on Securities Lending | — | 471.1 | (471.1) | (100.0%) |
| Other Assets | 0.2 | 0.6 | (0.4) | (66.7%) |
| Total Assets | \$6,167.1 | \$5,476.3 | \$ 690.8 | 12.6% |
| Cash Collateral on Securities Lending | — | 471.1 | (471.1) | (100.0%) |
| Other Liabilities | 276.0 | 106.9 | 169.1 | 158.2% |
| Total Liabilities | \$ 276.0 | \$ 578.0 | (302.0) | (52.2%) |
| Net Assets Held in Trust for Benefits | \$5,891.1 | \$4,898.3 | \$ 992.8 | 20.3% |

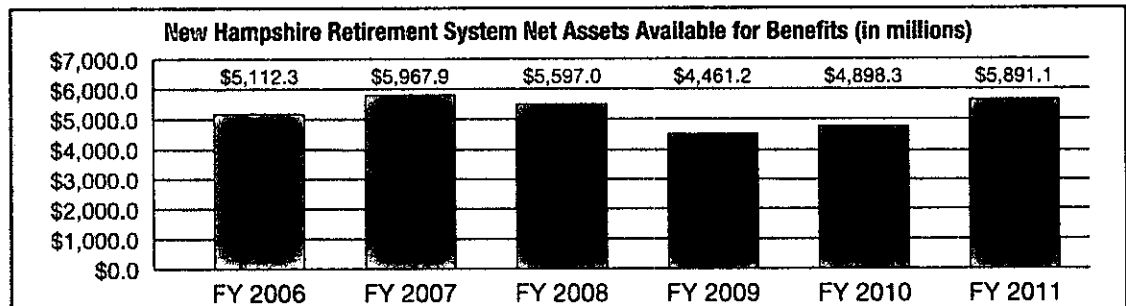
The Statements of Plan Net Assets provides a summary of what NHRS owns (assets) and what it owes (liabilities) as of the end of the fiscal year.

**Summary Comparative Statements of Changes in Plan Net Assets —
Combined Pension and OPEB Plans**

(in millions)

| | As of June 30, 2011 | As of June 30, 2010 | Amount Increase (Decrease) | % Increase (Decrease) |
|--|------------------------|------------------------|----------------------------------|-----------------------------|
| ADDITIONS: | | | | |
| Employer Contributions | \$ 307.5 | \$ 302.2 | \$ 5.3 | 1.8% |
| Member Contributions | 152.4 | 149.5 | 2.9 | 1.9% |
| Net Investment Income (Loss) | 1,131.7 | 568.3 | 563.4 | 99.1% |
| Net Asset Transfers | — | 107.0 | (107.0) | (100.0%) |
| Other Income | 13.5 | (1.3) | 14.8 | 1,138.5% |
| Total Additions to Plan Net Assets | \$1,605.1 | \$1,125.7 | \$479.4 | 42.6% |
| DEDUCTIONS: | | | | |
| Benefits Paid | \$ 579.8 | \$ 550.0 | \$ 29.8 | 5.4% |
| Refunds of Contributions | 22.8 | 21.9 | 0.9 | 4.1% |
| Net Asset Transfers | — | 107.0 | (107.0) | (100.0%) |
| Administrative Expense | 7.4 | 6.6 | 0.8 | 12.1% |
| Other Deductions | 2.3 | 3.1 | (0.8) | (25.8%) |
| Total Deductions from Plan Net Assets | \$ 612.3 | \$ 688.6 | (\$ 76.3) | (11.1%) |
| Total Changes in Plan Net Assets | \$ 992.8 | \$ 437.1 | \$555.7 | 127.1% |

The Statements of Changes in Plan Net Assets provides a summary of the flow of money into (additions) and out of (deductions) the fund throughout the fiscal year.

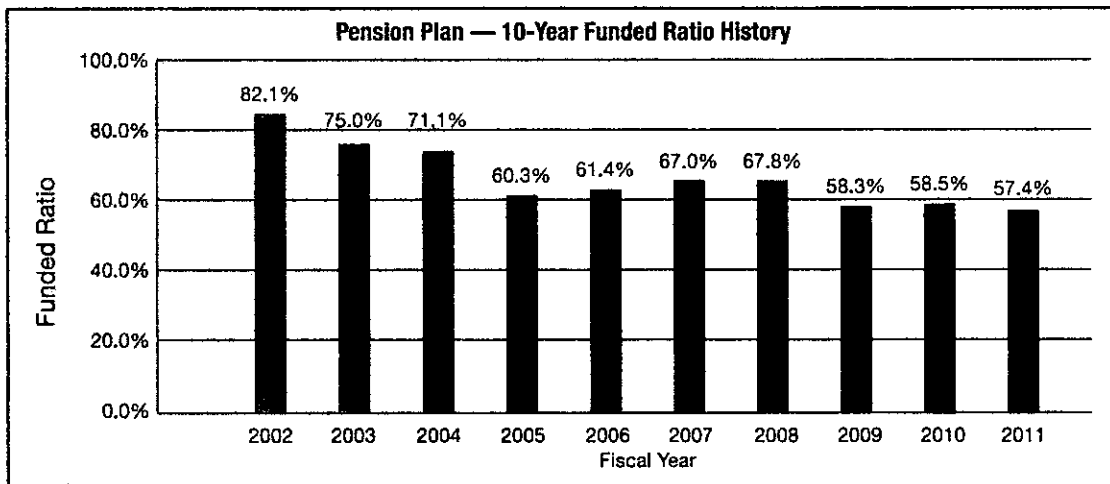


Funding Progress

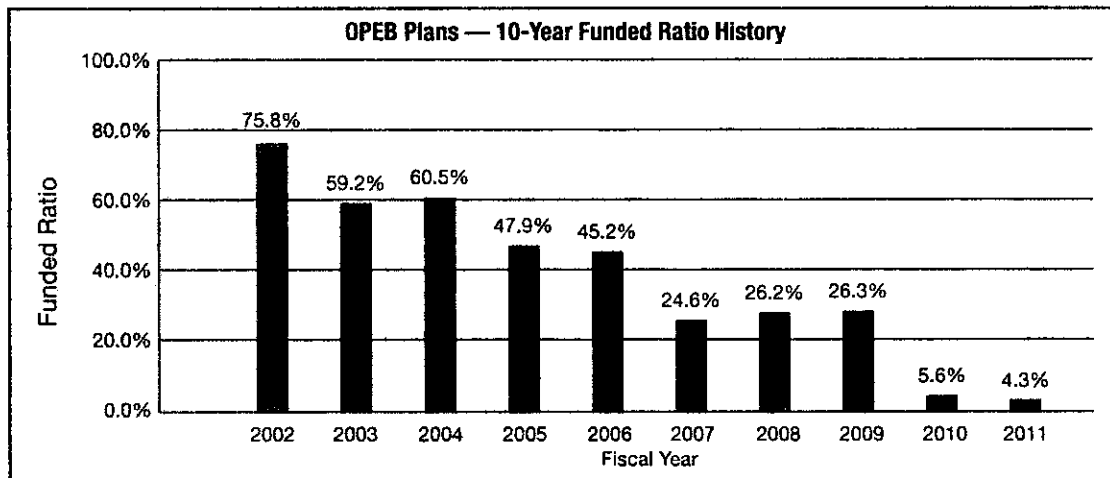
The primary measure of a benefit plan's progress is its funded status or funded ratio, which compares the assets available to the benefits that must be paid. As of June 30, 2011, the funded ratio for the pension plan was 57.4%. This means that the actuarial value of the retirement system's assets is 57.4% of the projected amount needed to pay for both current retirees and the accrued benefit for future retirees.

The OPEB plans, more commonly known as the medical subsidy, have a funded ratio at June 30, 2011 of 4.3%. This low funded ratio is because OPEB is funded, pursuant to statute, at the minimum necessary to remain solvent (see note below the OPEB graph). The OPEB benefit covers a retiree population that is fixed and the benefit is no longer available to the majority of current active members.

- ☐ The actuarial accrued liability for the Pension Plan was \$4,257.7 billion at June 30, 2011.
- ☐ The actuarial value of assets available to pay pension benefits was \$5,740.5 billion.
- ☐ The Pension Plan funded ratio was 57.4%.



- ☐ The actuarial accrued liability for the OPEB Plans was \$777.6 million at June 30, 2011.
- ☐ The actuarial value of assets available to pay OPEB benefits was \$33.2 million.
- ☐ The OPEB Plans' funded ratio was 4.3%.



Beginning in FY 2010, the OPEB plans have been funded by allocating the lesser of 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided. Since FY 2010, the minimum rate necessary was the lesser of the two options.

Funded ratios shown in both graphs above for fiscal years prior to 2007 were calculated using a different actuarial method and therefore are not comparable on a consistent basis.

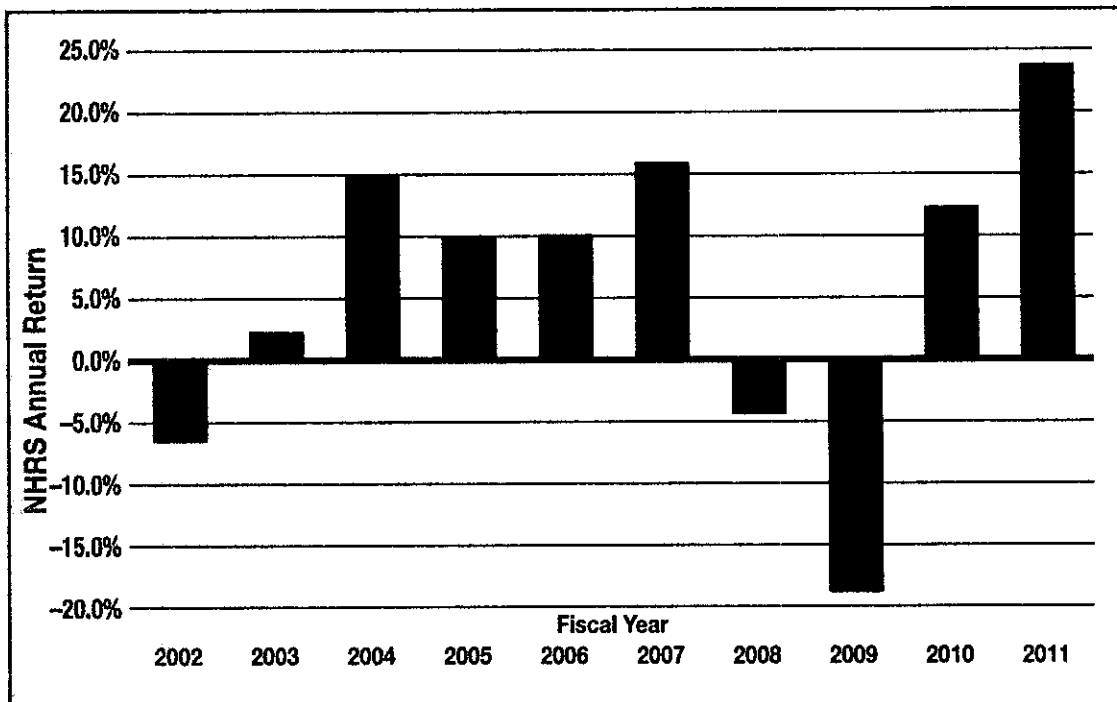
Investment Performance

The results of the Plans' investment program for the fiscal year ended June 30, 2011 are as follows:

- For fiscal year 2011, the total fund investment return of 23.0% outperformed the total fund custom benchmark's return of 22.1%.
- Positive returns were experienced in all asset classes in fiscal year 2011: domestic equity (31.2%); non-US equity (34.2%); fixed income (7.9%); real estate (14.9%); and alternative investments (9.7%).
- Investment returns are reported net of investment expenses and are measured against a total fund custom benchmark. The total fund custom benchmark consists of major market indices in proportion to the Plan's asset allocation policy.

| | Current Year 2011 | Annualized | | |
|-------------------------|----------------------|------------|--------|---------|
| | | 3 year | 5 Year | 10 Year |
| Total NHRS Fund | 23.0% | 4.4% | 4.7% | 5.2% |
| Total Fund Custom Index | 22.1% | 4.1% | 4.7% | 5.5% |

Ten Year History of Time-Weighted Total NHRS Fund Annual Returns



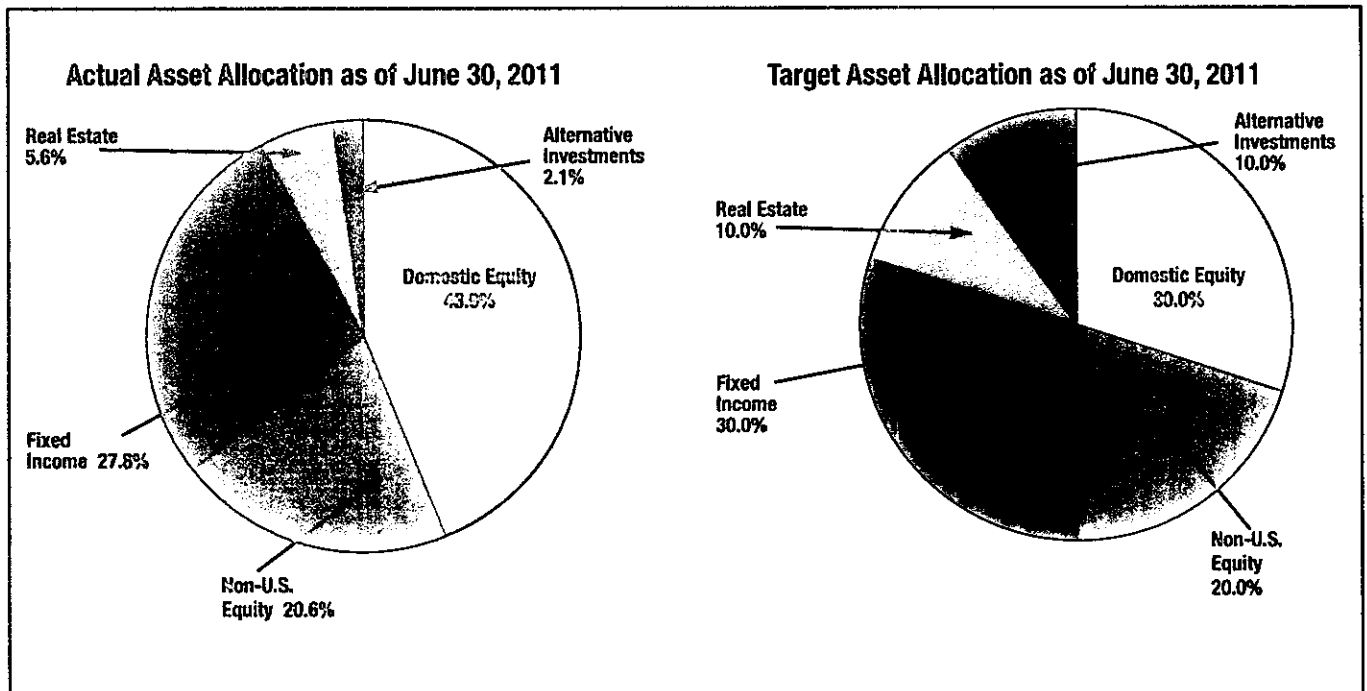
Diversification of Investments

An asset allocation is designed to diversify an investment portfolio to minimize risk and maximize performance.





The New Hampshire Retirement System Board of Trustees, with research and input from NHRS investment staff, outside experts, and a recommendation from the Independent Investment Committee (IIC), set an investment policy that includes asset allocation targets and acceptable ranges. The asset allocation targets and ranges were approved by the Board of Trustees on July 13, 2010 based on a recommendation of the IIC.

The IIC manages investments based on the trustees' policies, continuously monitors and evaluates performance, and makes determinations regarding the hiring and retention of fund managers.

The actual and target asset allocation for NHRS are shown on the pie charts below. Domestic Equity (43.9%), which is primarily made up of stocks in U.S. companies, had the highest allocation at the close of fiscal year 2011. Fixed Income (27.8%) was next; this asset class contains bonds that are designed to provide current income and preserve capital. Non-U.S. Equity (20.6%), which contains stocks in foreign companies, had the third-largest allocation. The Real Estate allocation was at 5.6%; this asset class consists of directly owned properties as well as investments in commingled real estate funds. Finally, the Alternative Investments asset class, which consists mostly of private equity and limited partnerships that are not traded in the public market, had an allocation at year end of 2.1%. More detailed information regarding the NHRS investment portfolio can be found in the Comprehensive Annual Financial Report or the Comprehensive Annual Investment Report, both of which can be found at www.nhrs.org.



Member Profiles

| PENSION PLAN |  |  |  |  | Total |
|-------------------------|---|---|---|---|----------|
| | Employees | Teachers | Police | Fire | |
| Active Members | | | | | |
| Average Age | 48.6 | 45.9 | 39.1 | 40.7 | 46.6 |
| Average Service | 10.5 | 12.7 | 10.8 | 12.6 | 11.4 |
| Average Annual Pay | \$43,614 | \$56,123 | \$62,835 | \$67,391 | \$50,621 |
| Retired Members | | | | | |
| Average Age | 70.5 | 68.9 | 62.4 | 64.8 | 68.8 |
| Average Annual Pension | \$12,474 | \$21,321 | \$33,876 | \$35,599 | \$18,959 |
| Total Membership | | | | | |
| Active | 25,539 | 18,466 | 4,130 | 1,603 | 49,738 |
| Retired | 13,487 | 9,427 | 2,880 | 1,336 | 27,130 |
| Terminated — Vested | 613 | 811 | 60 | 12 | 1,496 |

| OPEB PLANS (medical subsidy) | One-Person Coverage | | Two-Person Coverage | | |
|---------------------------------|---------------------|--------|---------------------|--------|---------|
| | Number of Retirees | Pre-65 | Post-65 | Pre-65 | Post-65 |
| | | 10,577 | 1,912 | 6,845 | 1,481 |

DISTRIBUTION OF RETIREES BY YEARS OF CREDITED SERVICE

(\$ in Millions)

| | 0-9 Years | 10-19 Years | 20-29 Years | 30+ Years | Total |
|-------------------------|-----------|-------------|-------------|-----------|---------|
| Pension Plan | | | | | |
| Total Retirees | 3,178 | 8,359 | 9,594 | 5,999 | 27,130 |
| Average Annual Benefits | \$19.1 | \$81.8 | \$221.9 | \$191.5 | \$514.3 |
| OPEB Plans | | | | | |
| Total Retirees | 412 | 512 | 5,707 | 3,946 | 10,577 |
| Average Annual Benefits | \$2.1 | \$2.8 | \$31.3 | \$23.5 | \$59.7 |

The Summary Annual Financial Report is derived from detailed information contained in the New Hampshire Retirement System's Comprehensive Annual Financial Report (CAFR). The System's CAFR is prepared in conformity with Generally Accepted Accounting Principles (GAAP). Both of these reports are available on our website at www.nhrs.org.

Contact Information

New Hampshire Retirement System
 54 Regional Drive, Concord, NH 03301-8507
 Telephone: (603) 410-3500 • Toll Free: (877) 600-0158
 Fax: (603) 410-3501 • Email: info@nhrs.org

Website: www.nhrs.org
 Monday-Friday
 8:00 a.m. to 4:00 p.m.

Outstanding Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) presented an Award for Outstanding Achievement in Popular Annual Financial Reporting to the New Hampshire Retirement System for its summary annual report for the fiscal year ended June 30, 2010.


This prestigious national award recognizes popular reports for creativity, presentation, understandability, and reader appeal and is valid for a period of one year. We believe the current summary annual report continues to meet these program standards and we are submitting it to the GFOA for evaluation.

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

New Hampshire Retirement System

for the Fiscal Year Ended
June 30, 2010



Lisa C. Sanjour
President

Jeffrey J. Lewis
Executive Director

Voting Sheets

HOUSE SPECIAL COMMITTEE ON PUBLIC EMPLOYEE PENSIONS REFORM

EXECUTIVE SESSION on HB 1306-FN-LOCAL

BILL TITLE: requiring retirement system employers to make contributions for part-time employment of retired members of the retirement system.

DATE: February 22, 2012

LOB ROOM: 306

Amendments:

| | | | |
|-----------------------|-----------------|------|-------|
| Sponsor: Rep. Hawkins | OLS Document #: | 2012 | 0986h |
| Sponsor: Rep. | OLS Document #: | | |
| Sponsor: Rep. | OLS Document #: | | |

Motions: OTP, OTP/A, ITL, Interim Study (Please circle one.)

Moved by Rep. Hawkins

Seconded by Rep. Bowers

Vote: 12-0 (Please attach record of roll call vote.)

Motions: OTP, OTP/A, ITL, Interim Study (Please circle one.)

Moved by Rep. Hawkins

Seconded by Rep. Bowers

Vote: 12-0 (Please attach record of roll call vote.)

CONSENT CALENDAR VOTE: YES

(Vote to place on Consent Calendar must be unanimous.)

Statement of Intent: Refer to Committee Report

Respectfully submitted,

Rep. Steven Winter, Clerk

HOUSE SPECIAL COMMITTEE ON PUBLIC EMPLOYEE PENSIONS REFORM

EXECUTIVE SESSION on HB 1306-FN-LOCAL

BILL TITLE: requiring retirement system employers to make contributions for part-time employment of retired members of the retirement system.

DATE: 2/22/13

LOB ROOM: LOB 306

Amendments:

Sponsor: Rep. HAWKINS/KIRK OLS Document #: 0986
Sponsor: Rep. OLS Document #:
Sponsor: Rep. OLS Document #:

Motions: OTP, OTP/A, ITL, Interim Study (Please circle one.)

Moved by Rep. HAWKINS

Seconded by Rep. BOWER

Vote: (Please attach record of roll call vote.)

Motions: OTP, OTP/A, ITL, Interim Study (Please circle one.)

Moved by Rep.

Seconded by Rep.

Vote: (Please attach record of roll call vote.)

CONSENT CALENDAR VOTE: 12-0

(Vote to place on Consent Calendar must be unanimous.)

Statement of Intent: Refer to Committee Report

Respectfully submitted,

Rep. Steven Winter, Clerk

SPECIAL COMMITTEE PUBLIC EMPLOYEE PENSIONS REFORM

Bill #: HB 1304 Title: _____

PH Date: 2/22/12 Exec Session Date: 2, 22, 12

Motion: PASS ~~OFF~~ AMENDMENT Amendment #: 0986h

| MEMBER | YEAS | NAYS |
|------------------------------|-------------|------|
| Hawkins, Kenneth, Chairman | X | |
| Sedensky, John B, V Chairman | X | |
| Shuler, Wyman E | X | |
| Smith, William B | X | |
| Moran, Edward P | X | |
| Kurk, Neal M | X | |
| Winter, Steven J, Clerk | X | |
| Avard, Kevin A | X | |
| Cohn, Seth | X | |
| Waddell, James A | X | |
| Bowers, Spec | X | |
| Laware, Thomas W | X | |
| Shurtleff, Stephen J | X | |
| Barody, Benjamin C | X | |
| Long, Patrick T | X | |
| Sullivan, Daniel J | X | |
| HAWKINS | 12-0 | |
| TOTAL VOTE: | | |

SPECIAL COMMITTEE PUBLIC EMPLOYEE PENSIONS REFORM

Bill #: 1306 Title: _____

PH Date: ~~2/22/12~~ Exec Session Date: 2/22/12

Motion: (DTPH) Amendment #: (0986h)

| MEMBER | YEAS | NAYS |
|------------------------------|------|------|
| Hawkins, Kenneth, Chairman | X | |
| Sedensky, John B, V Chairman | X | |
| Shuler, Wyman E | X | |
| Smith, William B | X | |
| Moran, Edward P | X | |
| Kurk, Neal M | X | |
| Winter, Steven J, Clerk | X | |
| Avard, Kevin A | X | |
| Cohn, Seth | X | |
| Waddell, James A | X | |
| Bowers, Spec | X | |
| Laware, Thomas W | X | |
| Shurtleff, Stephen J | X | |
| Barody, Benjamin C | X | |
| Long, Patrick T | X | |
| Sullivan, Daniel J | X | |

12-0
 CONSENT

Committee Report

CONSENT CALENDAR

February 23, 2012

HOUSE OF REPRESENTATIVES

REPORT OF COMMITTEE

**The Committee on SPECIAL COMMITTEE PUBLIC
EMPLOYEE PENSIONS REFORM to which was
referred HB1306-FN-L,**

**AN ACT requiring retirement system employers to
make contributions for part-time employment of retired
members of the retirement system. Having considered
the same, report the same with the following
amendment, and the recommendation that the bill
OUGHT TO PASS WITH AMENDMENT.**

Rep. Kenneth Hawkins

FOR THE COMMITTEE

COMMITTEE REPORT

| | |
|-------------------|--|
| Committee: | SPECIAL COMMITTEE PUBLIC EMPLOYEE PENSIONS REFORM |
| Bill Number: | HB1306-FN-L |
| Title: | requiring retirement system employers to make contributions for part-time employment of retired members of the retirement system. |
| Date: | February 23, 2012 |
| Consent Calendar: | YES |
| Recommendation: | OUGHT TO PASS WITH AMENDMENT |

STATEMENT OF INTENT

The original bill was to charge the unfunded liability portion on the employer rates for the New Hampshire Retirement System on part time employees that had retired from the NHRS. After much discussion about how many employees there were, how much money was involved, and how much money would this bring to the NHRS it was decided we needed more information. The amendment requires all employer members of the NHRS to report to DRA for p/t employees who are retired from NHRS the employee name, dollars earned, and the group (I or II) they are in. DRA is then required to provide a report to the Pension Committee of the totals by Group. DRA was selected because the information can be held confidentially.

Vote 12-0.

Rep. Kenneth Hawkins
FOR THE COMMITTEE

Original: House Clerk
Cc: Committee Bill File

CONSENT CALENDAR

SPECIAL COMMITTEE PUBLIC EMPLOYEE PENSIONS REFORM

HB1306-FN-L, requiring retirement system employers to make contributions for part-time employment of retired members of the retirement system. **OUGHT TO PASS WITH AMENDMENT.**

Rep. Kenneth Hawkins for SPECIAL COMMITTEE PUBLIC EMPLOYEE PENSIONS REFORM. The original bill was to charge the unfunded liability portion on the employer rates for the New Hampshire Retirement System on part time employees that had retired from the NHRS. After much discussion about how many employees there were, how much money was involved, and how much money would this bring to the NHRS it was decided we needed more information. The amendment requires all employer members of the NHRS to report to DRA for p/t employees who are retired from NHRS the employee name, dollars earned, and the group (I or II) they are in. DRA is then required to provide a report to the Pension Committee of the totals by Group. DRA was selected because the information can be held confidentially. **Vote 12-0.**

Original: House Clerk
Cc: Committee Bill File

Ebbs, Heather

From: khawkins2@comcast.net
Sent: Wednesday, February 22, 2012 6:28 PM
To: Ebbs, Heather
Subject: Blurb HB1306

HB1306 – The original bill was to charge the unfunded liability portion on the employer rates for the New Hampshire Retirement System on part time employees that had retired from the NHRS. After much discussion about how many employees there were, how much money was involved, and how much money would this bring to the NHRS it was decided we needed more information. The amendment requires all employer members of the NHRS to report to DRA for p/t employees who are retired from NHRS the employee name, dollars earned, and the group (I or II) they are in. DRA is then required to provide a report to the Pension Committee of the totals by Group. DRA was selected because the information can be held confidentially.

Rep Ken Hawkins
Hills Cty 18