

Bill as Introduced

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

HB 1306-FN-LOCAL – AS INTRODUCED

12-2603
10/09

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.

HB 1306-FN-LOCAL - AS INTRODUCED
- Page 2 -

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.

HB 1306-FN-LOCAL -- AS AMENDED BY THE HOUSE

7Mar2012... 0986h

2012 SESSION

12-2603

10/09

HOUSE BILL

1306-FN-LOCAL

AN ACT

requiring a report on part-time employment of retired members of the retirement system.

SPONSORS:

Rep. Hawkins, Hills 18

COMMITTEE:

Special Committee on Public Employee Pensions Reform

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.

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

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

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

12 2 Effective Date. This act shall take effect upon its passage.

LBAO
12-2603
Revised 11/04/11

HB 1306-FN-LOCAL - FISCAL NOTE

AN ACT requiring a report on 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.

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: April 10, 2012

HEARINGS

Thursday

4/19/2012

EXECUTIVE DEPARTMENTS AND ADMINISTRATION

SH 100

9:00 AM

(Name of Committee)

(Place)

(Time)

EXECUTIVE SESSION MAY FOLLOW

9:00 AM	HB1255	relative to the membership of the commission on primary care workforce issues.
9:10 AM	HB1387	(New Title) requiring flags purchased with state funds or displayed in state facilities to be manufactured in the United States.
9:20 AM	HB1362	(New Title) exempting service animals from dog registration and licensing and establishing an option for permanent registration and licensing of service animals.
9:40 AM	HB1306-FN-L	(New Title) requiring a report on part-time employment of retired members of the retirement system.
10:00 AM	HB1206	(New Title) relative to continuing obligations under expired public employee labor agreements.
10:20 AM	HB1582	relative to medical and surgical benefits for state employees.

Sponsors:

HB1255

Rep. Laurie Pettengill

HB1387

Rep. Leo Pepino

Rep. Terie Norelli

Sen. John Barnes, Jr.

Sen. John Gallus

HB1362

Rep. Donna Schlachman

HB1306-FN-L

Rep. Kenneth Hawkins

HB1206

Rep. Donna Mauro

HB1582

Rep. Marshall Quandt

Rep. David Welch

Rep. Gene Chandler

Sen. David Boutin

Rep. Timothy Copeland

Rep. Timothy Copeland

Rep. Alfred Baldasaro

Rep. Stephen Shurtleff

Sen. Sharon Carson

Rep. Matt Quandt

Rep. William O'Brien

Rep. Kenneth Weyler

Rep. Robert Theberge

Deborah Chroniak 271-1403

Sen. Sharon Carson

Chairman

Executive Dept. and Administration Committee

Hearing Report

TO: Members of the Senate

FROM: Deb Chroniak, Legislative Aide

RE: Hearing report on HB 1306-FN-L – (New Title) requiring a report on part-time employment of retired members of the retirement system.

HEARING DATE: April 19, 2012

MEMBERS OF THE COMMITTEE PRESENT: Senator Sharon Carson, Chair, Senator Luther, Senator White

MEMBERS OF THE COMMITTEE ABSENT: Senator Fenton Groen, Vice Chair Senator Sylvia Larsen

Sponsor(s): Rep. Hawkins, Hills 18

What the bill does: 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.

Who supports the bill: Rep. Ken Hawkins; Rick Trombly, NEA-NH; Rep. Al Baldasaro, Barbara Reid, NH Municipal Association; Dean Michener, NH School Boards Association; Mindy Cyr and Lindsey Stepp, NH DRA

Who opposes the bill: Betsy Miller, NH Association of Counties.

Summary of testimony received:

Senator Carson opened HB 1306-FN-L at 10:08 a.m.

• **Rep. Hawkins** spoke to 1306-FN-L stating that HB 1306-FN-L started out last year in SB 3 and that it revolves around retirees coming back to work for employers in the retirement system. To help lower the unfunded liability, instead of hiring full-time people, they were hiring part-time people who they do not have to pay any benefits for.

- There was a need to catch up on the unfunded liability, so the concept was anybody who goes to work as a part-time employee, the employer would pay the unfunded liability and medical subsidy portion of the retirement rates on that pay.

- In SB 3, this was taken out and it was decided that it would be placed in a separate bill this year. This was done in the Pension Committee in the House who met a number of times to discuss, with the biggest problem being they did not know what the numbers were. They are not sure if it is five million, ten million, or one-hundred million dollars in salaries. He stated that if it were one million dollars it would not be worth the aggravation to go through and do this.

- They came up by asking each political subdivision employer to report to the DRA the total salaries paid, as reported on their W-2. Rep. Hawkins stated that there is a **mistake in the bill where it says fiscal year and not calendar year. This will require an amendment.**

- Report to DRA the dollars, which would then come up with the totals for Group I state workers, Group II state workers, fire and police in separate categories, and deliver a report; that way there is no payroll information given out other than to DRA, which is all confidential information.

- **Mindy Cyr** (in opposition), Tax Policy Analyst, Department of Revenue Administration stating that they are not opposed to the policy, but that there are some concerns which the department saw as this bill was amended in the House.

- The amendment which was put on in the House now makes this bill come to the Department of Revenue Administration. Because of RSA 21-J:14, the records and files of the Department are privileged and confidential, so therefore the information coming in from the outside would become a record of the department, and under RSA 21-J they would not be able to release that information (even though the bill states that they will report to the chair person, under RSA 21-J:14 they would not be able to).

- They feel this request should be properly positioned with Administrative Services or Division of Personnel. They are suggesting this because they could not validate data coming in; employers would be giving them the information, they do not have group classification, and if there is no way to validate the data, they would be getting the data and would be exempt to give the information to the committee. They could give them the information, but there is no way that they can say this information which they are getting is validated. Essentially, it would be self-reported and they could not validate what group or class they are talking about, the names, etc.

- There is no way for them to identify the information coming in or if the information is incomplete, there is no way to follow up with that. They would need something consistent for them to get that information.

- It appears that the policy decision was made for just one year reporting and she is assuming this is not a yearly thing.

- This is more of the practical aspect of having this information come to the Department of Revenue instead of the other two departments mentioned.

- An additional concern about the confidentiality in the Division of Personnel she is not sure if the “right to know” exemption would exist for that information coming in to them.
- They are exposing this to the Committee to heed frustration if this information were to be classified as “privileged and confidential” and they receive the information and not be able to turn it over.
- **Barbara Reid** (in opposition), NH Municipal Association due to two different areas of concern; one is administratively, the way the bill is written and the other is the policy questions behind the bill.
- From an administrative standpoint the concern is the language, saying that this was supposed to be on the state fiscal year, but the prime sponsor did indicate that was a mistake and was supposed to be on a calendar year. But, even so, if that is replaced with the previous calendar year, this is a retroactive reporting because it is asking for information on the wages from last year of the people who were working in local communities and who were also retirees from the NH retirement system. This is not a question that is captured in their personnel database locally.
- In terms of a policy issue, their understanding is that the need for this reporting is to look and see if it makes sense to start charging employers the retirement contribution rates on part-time employees that are retired from the NH Retirement System. Right now they do not pay any contributions on part-time employees. Potentially what is being asked is to take a group of employees that are not now contributing to the retirement system, and potentially put their wages susceptible to that payment. She believes there are a lot of issues surrounding that question.
- She also believes there are issues by taking a class of employees, for which employers do not have to pay, and now making them responsible for that cost from them.
- She believes that if they went that route and put that charge on those wages for those part-time employees, it would put employers in a very difficult position where they have applicant A and applicant B, now they are in a position where applicant A may be a part-time position where they pay \$15 per hour, then applicant B who are retired and get \$17.50 per hour. It will be a different situation.
- The unfunded liability with the retirement system is a significant amount of money where the plan presently is to pay it off over a period of 25 years. In terms of paying this off sooner, this mechanism would bring in a component that is not related to the cost of that unfunded liability, in terms of charging that on part-time employees.
- **Rick Trombly** (in support) (written testimony) representing the NEA-NH, and the NH Retirement Security Coalition states a concern with the information requested and who it is being made available to.
- One change suggested would be that the report being required would go to more than the chairperson of the House Special Pension. He would suggest that it would be entirely appropriate for the Senate ED & A Committee to receive this report.

- They are concerned that full-time employees will be replaced with part-time employees in the workforce.
- This bill is a very small step; information gathering legislation and does not require the employer to pay contributions towards part-time employees. This legislation is saying let's see what the situation is, and is there a problem. This is the gathering of information and resources to assess.

The hearing on HB 1306-FN-L closed at 10:23 a.m.

Funding: The NH 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.

Future Action: The Committee took the bill under advisement.

DAC

[file: HB 1306 FN-L report]
Date: April 22, 2012

Speakers

Testimony

#1

Testimony of Rick Trombly on HB 1306

On Behalf of the New Hampshire Retirement Security Coalition

Before the Senate Executive Departments and Administration Committee

Thursday, April 19, 2012

Honorable Members of the Committee:

Thank you for hearing my testimony today. I'm Rick Trombly, the Director of Public Policy and Advocacy for the National Education Association in New Hampshire. HB 1306 is an important step towards beginning to determine the impact that part-time employees have on the Retirement System's unfunded accrued actuarial liability (UAAL).

Many factors have contributed to the increase in the Retirement System's unfunded liability over the past few decades. The most significant aspect of this was the use of the Open Group Aggregate Method between 1991 and 2007, as mandated by the passage of HB 51. This accounting methodology artificially lowered employer rates, and led to the long-term underfunding of the Retirement System. The resulting multi-billion dollar unfunded liability will be paid down by employers over a 30 year amortization period that began in 2009.

Employers must contribute to the UAAL the "annual required contributions" as determined by the actuary. These contributions are a percent of employers' full-time payroll, and are in addition to the employers' normal costs for the Defined Benefit plan. The increased use of part-time employees in school districts, municipalities, and the state government, decreases employers' full time payroll, and hence their contributions to the unfunded liability. The Retirement Security Coalition believes that this may have a broadening impact on the funding level of the Retirement System. Employers do not have to contribute towards the Retirement System's unfunded liability for part-time employees. This creates a perverse incentive to hire more and more part-time employees, which in turn jeopardizes the funding of the Retirement System and the current amortization of the UAAL.

There are understandable reasons for which some towns and school districts need to hire part-time employees, for instance the seasonal public safety employees needed in our state's tourist destinations. This is certainly the exception rather than the rule though, and the overall growth in the use of part-time employees is a problem that needs to be addressed.

In order to find an effective solution though, the State and the legislature need to have more complete data on the use of part-time employees. HB 1306 begins this process by mandating that employers collect data on part-time employees that are retired members of the Retirement System. This means that certain employees retire and start drawing a pension, and then return to work as a part-time employee, otherwise known as "double dipping." In 2011, the Nashua Telegraph reported that in that school district alone, 29 employees had retired and returned to

work on a part-time basis, receiving both a salary and a pension. In this case, the system is not only paying out benefits, it is also being deprived of the revenue it would receive from a normal full-time employee.

The New Hampshire Retirement Security Coalition supports monitoring double dipping, but we also must track the use and growth of all part-time employees. We simply cannot allow part-time employees, whether they are currently receiving a pension or not, to become a loophole for some employers to jeopardize the financial health of the Retirement System. Employers that are rapidly converting full-time positions to part-time positions are not only evading their contributions to the unfunded liability, they are also creating damaging disruptions and uncertainty in the public sector workforce. The unfunded liability has been created by the manipulation of employer contributions, and in order for the Retirement System to restore its funding level; we must prevent new ways to game the system. This is an issue of fairness for employers, employees, and New Hampshire taxpayers.

Thank you for your consideration, and I'll be happy to answer any questions.

Committee Report

STATE OF NEW HAMPSHIRE
SENATE
REPORT OF THE COMMITTEE

Date: April 26, 2012

THE COMMITTEE ON Executive Departments and Administration
to which was referred House Bill 1306-FN-L

AN ACT (New Title) requiring a report on part-time employment of
retired members of the retirement system

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

IS INEXPEDIENT TO LEGISLATE

BY A VOTE OF: 4-0

Senator Raymond White
For the Committee

Deb Chroniak 271-1403

New Hampshire General Court - Bill Status System

Docket of HB1306

Docket Abbreviations

Bill Title: (New Title) requiring a report on part-time employment of retired members of the retirement system.

Official Docket of HB1306:

Date	Body	Description
11/18/2011	H	Introduced 1/4/2012 and Referred to Special Committee on Public Employee Pensions Reform; HJ 7 , PG.351
12/14/2011	H	Public Hearing: 1/6/2012 1:00 PM LOB 201-203
1/27/2012	H	Full Committee Work Session: 2/10/2012 9:30 AM LOB 306-308
2/9/2012	H	Executive Session: 2/17/2012 10:00 AM LOB 306-308 ==RECESSED==
2/22/2012	H	Executive Session: 2/22/2012 12:35 PM LOB 306
2/23/2012	H	Committee Report: Ought to Pass with Amendment #0986h(NT) for Mar 7 (Vote 12-0; CC); HC 18 , PG.1077
2/23/2012	H	Proposed Committee Amendment #2012-0986h (New Title); HC 17 , PG.985
3/7/2012	H	Amendment #0986h(NT) Adopted, VV; HJ 21 , PG.1325-1330
3/7/2012	H	Ought to Pass with Amendment #0986h(NT): MA VV; HJ 21 , PG.1324-1325
3/28/2012	S	Introduced and Referred to Executive Departments and Administration
4/10/2012	S	Hearing: 4/19/12, Room 100, SH, 9:40 a.m.; SC15
4/26/2012	S	Committee Report: Inexpedient to Legislate, 5/2/12; SC17
5/2/2012	S	Inexpedient to Legislate, MA, VV === BILL KILLED ===

NH House

NH Senate

Other Referrals

COMMITTEE REPORT FILE INVENTORY

HB 1306 ^{FN-L} 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 on which you have taken attendance

HEARING REPORT (written summary of hearing testimony)

PREPARED TESTIMONY AND OTHER SUBMISSIONS

List by number [Submission 1 thru 4 or Submission 1, 2, 3, 4] here:

#1
SIGN-UP SHEET

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

___ EXECUTIVE SESSION REPORT

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

DATE DELIVERED TO SENATE CLERK

6-29-12

Stephan G. ...
COMMITTEE AIDE