

# Bill as Introduced

HB 1427-FN - AS AMENDED BY THE HOUSE

6Mar2018... 0568h

2018 SESSION

18-2511  
10/08

HOUSE BILL

***1427-FN***

AN ACT

relative to membership in the retirement system for certain officials.

SPONSORS:

Rep. Freeman, Hills. 12

COMMITTEE:

Executive Departments and Administration

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ANALYSIS

This bill allows a school district governing body to exempt the superintendent of schools from compulsory membership in the retirement system.

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Explanation:

Matter added to current law appears in ***bold italics***.

Matter removed from current law appears [~~in brackets and 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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 Eighteen*

AN ACT relative to membership in the retirement system for certain officials.

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

1       1 Retirement System; Exemption from Membership; Certain School Officials. Amend RSA 100-  
2 A:22 to read as follows:

3       100-A:22 Modifications.

4       ***I.*** Membership in the retirement system shall be optional for officers and employees of the  
5 employer who are in the service of the employer on the date when participation becomes effective,  
6 and any such officer or employee who elects to join the retirement system within one year  
7 thereafter shall be credited with prior service covering such periods of prior service rendered to  
8 such employer for which the employer is willing to make accrued liability contributions. If the  
9 employer is unable or unwilling to make such contributions, a member in service may petition the  
10 board of trustees for periods of prior service rendered to such employer. Upon payment by the  
11 member of the amount determined in accordance with RSA 100-A:3, VI(b) and with the approval of  
12 the board, the member shall receive credit for such prior service. Thereafter, service for such  
13 employer on account of which contributions are made by the employer and member shall also be  
14 considered as creditable service. However, in no event shall prior service purchased as creditable  
15 service under this section be used as creditable service for the purpose of eligibility for medical  
16 benefits under RSA 100-A:52, RSA 100-A:52-a, or RSA 100-A:52-b.

17       ***II.*** Membership shall be compulsory for all employees entering the service of such employer  
18 after the date participation becomes effective. ***Except that:***

19       ***(a)*** Municipalities may, by action of their city council or board of selectmen, exempt  
20 their chief administrative officer, at the time of initial hiring or appointment, from compulsory  
21 membership provided herein. The chief fiscal officer of the employer, and the heads of its  
22 departments, shall submit to the board of trustees such information and shall cause to be performed  
23 with respect to the employees of such employer, who are members of the retirement system, such  
24 duties as shall be prescribed by the trustees in order to carry out the provisions of this chapter.

25       ***(b)*** ***School districts may, on or before December 31, 2018, by action of their***  
26 ***governing body, exempt their superintendent of schools, at the time of initial hiring or***  
27 ***appointment, from compulsory membership provided herein. If such exemption is***  
28 ***adopted, a superintendent of schools who was enrolled as a member in the retirement***  
29 ***system within the 2-year period preceding the effective date of this subparagraph may***  
30 ***make a request to the school district governing body to withdraw from membership. Upon***  
31 ***approval of a withdrawal from membership and notice provided to the retirement system,***

HB 1427-FN - AS AMENDED BY THE HOUSE

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1 *a superintendent who ceases to be a member of the retirement system shall not be*  
2 *permitted to re-enroll as a member for as long as he or she holds the same position. If the*  
3 *school district exempts the superintendent of schools from compulsory membership in the*  
4 *retirement system, the school district shall pay to the retirement system, for deposit in the*  
5 *state annuity accumulation fund, an unfunded accrued liability payment calculated as*  
6 *an equivalent percentage determined under RSA 100-A:16, II(e) applied to the*  
7 *compensation paid for the superintendent of schools position.*

8       2 Effective Date. This act shall take effect 60 days after its passage.

HB 1427-FN- FISCAL NOTE  
AS INTRODUCED

AN ACT relative to membership in the retirement system for certain officials.

FISCAL IMPACT:  State  County  Local  None

STATE:	Estimated Increase / (Decrease)			
	FY 2019	FY 2020	FY 2021	FY 2022
Appropriation	\$0	\$0	\$0	\$0
Revenue	\$0	\$0	\$0	\$0
Expenditures	\$2,664	\$0	\$0	\$0
Funding Source:	<input checked="" type="checkbox"/> General	<input checked="" type="checkbox"/> Education	<input checked="" type="checkbox"/> Highway	<input checked="" type="checkbox"/> Other

POLITICAL  
SUBDIVISIONS\*:

Revenue	\$0	\$0	\$0	\$0
Expenditures	Indeterminable	Indeterminable	Indeterminable	Indeterminable

\*The New Hampshire Retirement System states it is not able to separate the fiscal impact of this legislation between county and local government, therefore the fiscal impact is shown together as political subdivisions.

METHODOLOGY:

This bill allows school districts, by action of their governing bodies, to exempt their superintendent of schools, at the time of initial hiring or appointment, from compulsory membership in the New Hampshire Retirement System (NHRS). Upon approval of such exemption, a superintendent of schools who was enrolled as a member in the NHRS within the 2 year period preceding the effective date of this bill may make a request to the governing body to withdraw from such membership. A superintendent who ceases to be a member of the NHRS shall not be permitted to re-enroll as a member for as long as he or she holds the same position with such employer.

The Department of Education states that superintendents are Group I employees and the total compensation paid for superintendents statewide for 2017-2018 was \$11,400,648.64, excluding 2 superintendents whom are paid an hourly rate. The Group I employer rate for employees in effect through June 30, 2019 is 11.08%. Assuming that all superintendents would be exempt from the NHRS, there would be a reduction in local expenditures of \$1,263,191.87 (11.08% x \$11,400,648.64).

The NHRS states the local expenditure is indeterminable since the changes are expected to

have a small impact on the actuarial status of the system and employer contribution rates (i.e. increase of less than .01% of payroll). Each superintendent removed will reduce the covered payroll used to amortize the unfunded accrued liability, and therefore, increase the amortization rate. The System states it will need to make an estimated \$2,664 change to the Pension Gold software.

**AGENCIES CONTACTED:**

Department of Education and New Hampshire Retirement System

HB 1427-FN - AS AMENDED BY THE SENATE

6Mar2018... 0568h  
04/19/2018 1472s

2018 SESSION

18-2511  
10/08

HOUSE BILL **1427-FN**

AN ACT relative to the reduction in the calculation of state retirement system annuities at age 65.

SPONSORS: Rep. Freeman, Hills. 12

COMMITTEE: Executive Departments and Administration

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AMENDED ANALYSIS

This bill provides for the application of the reduction of a retiree's annuity at the member's full retirement age under the federal Social Security system.

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

HB 1427-FN - AS AMENDED BY THE SENATE

6Mar2018... 0568h  
04/19/2018 1472s

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10/08

STATE OF NEW HAMPSHIRE

*In the Year of Our Lord Two Thousand Eighteen*

AN ACT                    relative to the reduction in the calculation of state retirement system annuities at age 65.

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

1            1 Retirement System; Service Retirement Benefits; Reduction Age. Amend RSA 100-A:5, I(b) to  
2 read as follows:

3                    (b) Upon service retirement, an employee member or teacher member of group I shall  
4 receive a service retirement allowance which shall consist of a member annuity which shall be the  
5 actuarial equivalent of the member's accumulated contributions at the time of retirement, and a  
6 state annuity. Prior to the member's attainment of [~~age 65~~] ***the member's full retirement age for***  
7 ***Social Security***, the state annuity, together with the member annuity, shall be equal to 1/60 of the  
8 member's average final compensation multiplied by the number of years of creditable service. After  
9 attainment of [~~age 65~~] ***the member's full retirement age for Social Security***, the state annuity,  
10 together with the member annuity, shall be equal to 1/66 of the member's average final  
11 compensation multiplied by the number of years of creditable service. Provided, however, that a  
12 group I member who commenced service on or after July 1, 2011 shall not receive a service  
13 retirement allowance until attaining the age of 65; but may receive a reduced allowance after age 60  
14 if the member has at least 30 years of creditable service where the allowance shall be reduced, for  
15 each month by which the date on which benefits commence precedes the month after which the  
16 member attains 65 years of age, by 1/4 of one percent.

17            2 Retirement System; Ordinary Disability Retirement Benefits; Reduction Age. Amend  
18 RSA 100-A:6, I(b)(1)(A) and (B) to read as follows:

19                    (A) Prior to the member's attainment of [~~age 65~~] ***the member's full retirement***  
20 ***age for Social Security***, the state annuity, together with the member annuity, shall be equal to  
21 1/60 of the member's average final compensation at the time of his ***or her*** ordinary disability  
22 retirement multiplied by the number of years of creditable service at the time of his ***or her*** ordinary  
23 disability retirement;

24                    (B) After attainment of [~~age 65~~] ***the member's full retirement age for Social***  
25 ***Security***, the state annuity, together with the member annuity, shall be equal to 1/66 of the  
26 member's average final compensation at the time of his ***or her*** ordinary disability retirement  
27 multiplied by the number of years of creditable service at the time of his ***or her*** ordinary disability  
28 retirement;

29            3 Retirement System; Accidental Disability Retirement Benefits; Reduction Age. Amend



HB 1427-FN - AS AMENDED BY THE SENATE

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1 RSA 100-A:6, I(d)(1)(A) and (B) to read as follows:

2 (A) Prior to the member's attainment of [~~age-65~~] *the member's full retirement*  
3 *age for Social Security*, the state annuity, together with the member annuity, shall be equal to  
4 1/60 of the member's average final compensation at the time of his *or her* accidental disability  
5 retirement multiplied by the number of years of creditable service at the time of his *or her*  
6 accidental disability retirement;

7 (B) After attainment of [~~age-65~~] *the member's full retirement age for Social*  
8 *Security*, the state annuity, together with the member annuity, shall be equal to 1/66 of the  
9 member's average final compensation at the time of his *or her* accidental disability retirement  
10 multiplied by the number of years of creditable service at the time of his *or her* accidental disability  
11 retirement;

12 4 Effective Date. This act shall take effect 60 days after its passage.

HB 1427-FN- FISCAL NOTE  
AS AMENDED BY THE HOUSE (AMENDMENT #2018-0568h)

AN ACT relative to membership in the retirement system for certain officials.

FISCAL IMPACT:  State  County  Local  None

STATE:	Estimated Increase / (Decrease)			
	FY 2019	FY 2020	FY 2021	FY 2022
Appropriation	\$0	\$0	\$0	\$0
Revenue	\$0	\$0	\$0	\$0
Expenditures	\$2,664	\$0	\$0	\$0
<i>Funding Source:</i>	<input checked="" type="checkbox"/> General	<input checked="" type="checkbox"/> Education	<input checked="" type="checkbox"/> Highway	<input checked="" type="checkbox"/> Other

POLITICAL  
SUBDIVISIONS\*:

Revenue	\$0	\$0	\$0	\$0
Expenditures	Indeterminable	Indeterminable	Indeterminable	Indeterminable

\*The New Hampshire Retirement System states it is not able to separate the fiscal impact of this legislation between county and local government, therefore the fiscal impact is shown together as political subdivisions.

METHODOLOGY:

This bill allows school districts, by action of their governing bodies, to exempt their superintendent of schools, at the time of initial hiring or appointment, from compulsory membership in the New Hampshire Retirement System (NHRS). Upon approval of such exemption, a superintendent of schools who was enrolled as a member in the NHRS within the 2 year period preceding the effective date of this bill may make a request to the governing body to withdraw from such membership. A superintendent who ceases to be a member of the NHRS shall not be permitted to re-enroll as a member for as long as he or she holds the same position with such employer. School districts that exempt the superintendent of schools from compulsory membership in the retirement system shall pay to the system an unfunded accrued liability (UAAL) payment applicable to the compensation paid for the superintendent of schools.

The Department of Education states that superintendents are Group I employees and the total compensation paid for superintendents statewide for 2017-2018 was \$11,400,649, excluding 2 superintendents whom are paid an hourly rate.

The Group I employer rate for local political subdivision employees in effect through June 30, 2019 is 11.38%. The table below provides an estimated impact if all superintendents were exempt from the NHRS and superintendent compensation increases 3% annually. The employer

rates are assumed to remain the same.

<u>Group I Employer Rate</u> <u>Subdivision</u>	<u>Employer Rate</u>	<u>Employer Contributions</u>	<u>Employer Contributions</u>	<u>Employer Contributions</u>	<u>Employer Contributions</u>
		<u>FY 2019 Estimate</u>	<u>FY 2020 Estimate (+3%)</u>	<u>FY 2021 Estimate (+3%)</u>	<u>FY 2022 Estimate (+3%)</u>
UAAL	8.92%	\$1,016,938	\$1,047,446	\$1,078,869	\$1,111,236
Normal Cost	2.16%	\$246,254	\$253,642	\$261,251	\$269,088
Medical Subsidy	0.30%	\$34,202	\$35,228	\$36,285	\$37,373
<b>TOTAL</b>	<b>11.38%</b>	<b>\$1,297,394</b>	<b>\$1,336,316</b>	<b>\$1,376,405</b>	<b>\$1,417,697</b>
		<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
<b>Statewide Superintendent Payroll</b>		\$11,400,649	\$11,742,668	\$12,094,948	\$12,457,797

The UAAL contribution, with the rate at the current level and applied to the increasing payroll, will continue to be paid to NHRS:

<u>Year</u>	<u>Continued UAAL Contribution</u>
2019	\$1,016,938
2020	\$1,047,446
2021	\$1,078,869
2022	\$1,111,235

Local expenditures for the Normal Cost and Medical Subsidy, assuming current rates remain the same, would decrease as follows:

<u>Year</u>	<u>Normal Cost + Medical Subsidy</u>
2019	\$280,456
2020	\$288,870
2021	\$297,536
2022	\$306,462

The NHRS states the local expenditure is indeterminable since the changes are expected to have a small impact on the actuarial status of the system and employer contribution rates (i.e. increase of less than .01% of payroll). Each superintendent removed will reduce the covered payroll used to amortize the Medical Subsidy, and therefore, increase the amortization rate. The System states it will need to make an estimated \$2,664 change to the Pension Gold software.

**AGENCIES CONTACTED:**

- Department of Education and New Hampshire Retirement System

# Committee Minutes

**Senate Executive Departments and Administration Committee**  
*Deb Chroniak 271-1403*

HB 1427-FN, relative to membership in the retirement system for certain officials.

Hearing Date: March 21, 2018

Time Opened: 10:55 a.m.

Time Closed: 11:06 a.m.

Members of the Committee Present: Senators Carson, Reagan, Gannon and Soucy

Members of the Committee Absent: Senator Cavanaugh

**Bill Analysis:** This bill allows a school district governing body to exempt the superintendent of schools from compulsory membership in the retirement system.

**Sponsors:**  
Rep. Freeman

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**Who supports the bill:** Representative Carol McGuire, House ED & A; Representative Bill Ohm, Hills 36; Representative Lisa Freeman, Hills.12; Arthur Beaudry, Manchester School Board member, Ward 9, and Vice Chairman for the School Board

**Who opposes the bill:** No one

**Who is neutral on the bill:** Marty Karlon, Public Information Officer, New Hampshire Retirement System

**Summary of testimony presented in support:**

**Representative Carol McGuire (opens for Representative Freeman)**

- This bill came to the House ED & A Committee because the Manchester School System has been offering its superintendents of schools the option to opt-out of the New Hampshire Retirement System, (NHRS), which is not within their authority.

- The current superintendent has asked to exercise this option because he does not expect he will ever be able to collect from it based on age and life expectant at tenure.

- House amendment asks city to continue paying accrued liability portion to the retirement system, but superintendent will not have to join. There is also a deadline for the end of the year, which the Manchester school system does have issues with. **Senator Soucy** said it appeared this legislation does not strictly apply to the Manchester school system, but that it would apply to other school systems as well. **Representative McGuire** said that was correct because there was another school district who has a member who wants to opt-out, which could happen prior to the end of the year. There is a member on the House ED & A Committee from Rye, New Hampshire who indicated that Rye is having a great deal of trouble finding a

superintendent, and the joining of the retirement system has been an additional problem.

**Arthur Beaudry, Manchester School Board member, Ward 9 (in support)**

- The expectancy or longevity of superintendents nationally is five years. The opt-out of the NHRS provision was placed in their contracts several years ago. When the present superintendent took the option, they found out they could not do this. At that point, the NHRS was called and that is when they found out this could not be done.
- He is perplexed as to why the superintendents were in the NHRS because the city does have their own retirement system. Within the school district, under law, state's teachers, and police and fire were the only employees in the NHRS. Other than teachers, are superintendents, assistant superintendents and their business administrator.
- They do not know how this happened because all other department heads are under the city retirement system.
- The sponsor amended the bill because they were aware of the "Unfunded Accrued Liability".
- His personal thought is this is a great recruitment tool, but he does not agree with the sunset provision in the bill because it states after the end of this year, no one else could take the opportunity to withdraw from the NHRS.
- They are having a difficult time attracting qualified (candidates) superintendents.
- During the last superintendent search, they ended up hiring the last candidate standing.

**Senator Reagan** said, the City of Manchester wants to hire a superintendent and when the person states he/she objects to being enrolled in the NHRS, they want to say they do not need to. Then, they want the City of Manchester to pay in to the NHRS because of the unfunded accrued liability for that particular position because the position was in the system during the unfunded accrued liability and they have an obligation to pay in to this. The sponsor of the legislation supports this, and Mr. Beaudry would support because they would not want to shortfall the system. If this were a new position coming in, that might be different because there would be no unfunded accrued liability associated with the new position. **Senator Reagan** asked if there were someone collecting a pension that wasn't fully funded and now they want to make up for that. Mr. Beaudry stated no, they were not making up for that. It is a payment system established by the Legislature to be amortized over 30 years; that is what they agree with. **Senator Reagan** asked if Mr. Beaudry thought it would be fairer to find out what the accrued liability is for the superintendents who work for the City of Manchester, so they would have the option to pay that liability off. Mr. Beaudry stated that would be a question which Mr. Karlon would be able to answer, but he was not sure that they could figure out what the accrued liability would be for one employee. Mr. Beaudry said there was only one superintendent of Manchester. **Senator Reagan** said there is a provision in law that states a locality or an employer can buy their way out by paying the accrued liability. That is not being offered to the City of Manchester in this case. Mr. Beaudry said that was not a thought.

**Summary of testimony presented in the neutral position**

**Marty Karlon, Public Information Officer, New Hampshire Retirement System**

- Issues, such as exempting positions or reclassifying positions are considered policy matters and are left up to the Legislature.

- Signed up to speak to answer historical or other questions the committee members may have regarding this legislation.

**Senator Soucy** asked if this had occurred before with respect to school districts. **Mr. Karlon** said, not with school districts, but with city managers, and this legislation would create a parallel construction for superintendents. **Senator Reagan** said Manchester's city has a retirement system and was it this system that was being discussed. **Mr. Karlon** said the Manchester superintendent is in the New Hampshire Retirement System (NHRS) and he had been asked why, because there was a city retirement plan. He assumes because the school district isn't the state employer from the city, but this is talking about exempting from the NHRS.

Hearing closed at 11:06 a.m.

**Future Action:** Pending

dac

[HB 1427-FN]

Date Hearing Report completed: March 26, 2018-F



# Speakers



# Committee Report



STATE OF NEW HAMPSHIRE  
SENATE  
REPORT OF THE COMMITTEE

Tuesday, April 24, 2018

THE COMMITTEE ON Finance

to which was referred **HB 1427-FN**

**AN ACT** relative to the reduction in the calculation of state  
retirement system annuities at age 65.

Having considered the same, the committee recommends that the Bill

**IS INEXPEDIENT TO LEGISLATE**

**BY A VOTE OF: 4-2**

Senator Gary Daniels  
For the Committee

Deb Martone 271-4980