

Committee Report

REGULAR CALENDAR

February 17, 2021

HOUSE OF REPRESENTATIVES

REPORT OF COMMITTEE

The Committee on Executive Departments and Administration to which was referred HB 274-FN-LOCAL, relative to payment by the state of a portion of retirement system contributions of political subdivision employers.

WITHOUT RECOMMENDATION

COMMITTEE REPORT

Committee:	Executive Departments and Administration
Bill Number:	HB 274-FN-LOCAL
Title:	relative to payment by the state of a portion of retirement system contributions of political subdivision employers.
Date:	February 17, 2021
Consent Calendar:	Regular Calendar
Recommendation:	WITHOUT RECOMMENDATION

Statement in support of Inexpedient to Legislate: This bill would require the state to pay 5% of the employer's portion of pension contributions paid by municipalities. It would cause every taxpayer in the state to subsidize local employees, without any say in the number of such employees employed, their pay or benefits. This subsidy creates incentives for localities to increase the number or pay of their employees, since they would not pay the full cost themselves. In addition, committee members are skeptical that this would actually provide property tax relief because we've all seen cases where outside funds sent to local governments result in higher spending, not lower taxes. We are also concerned that the minimal 5% share in this bill could easily be increased by future legislatures. Finally, the constant cry about broken promises and downshifting to localities is based on a mistaken premise. In 2011, when the pension system was restructured, the employees were required to pay in 2% more than they had previously, which provided approximately as much money as the state's contribution. If there is any downshifting in this scenario, it is to the employees, not the employers. The increased requirements for employer payments since then are due to paying off 17 years of miscalculated employer contributions (plus interest), demographic changes, poor investment results, and changing policies at the retirement system.

Rep. Carol McGuire

Statement in support of Ought to Pass: This bill requires the state to pay 5 percent of the normal and accrued liability contributions of the political subdivision retirement employers for group I teachers as well as group II (police and fire) members beginning in FY 2022. The intention of this bill is to alleviate the burden of the sole contribution by all participating municipalities in the New Hampshire Retirement System (NHRS), thus relieving the tax burden to the citizens when the state removed its obligation as a co-contributor to the NHRS system. This bill is a partial, prudent, and conservative attempt to reconstruct the state obligation. It is not at the original agreed to rate of 35% that was paid in the 1970's, but at a sensible rate of 5% relieving the applied tax to municipalities and their taxpayers this reduction inadvertently caused. To make a fair decision on this matter a brief overview and explanation is needed of the original agreement between the state and the contributing municipalities. NHRS was founded in 1967 from a combination of four existing retirement groups, Fire, Police, Teachers, and employees (e.g. state and local workers). Teachers and employees became known as group I, fire and police became known as group II. To entice municipalities to become contributing members, the state agreed to pay 40% of the shared costs in 1967. It was changed in the 1970's to what many of us remember of 35% of the shared costs. It remained under this agreement until 2010 when it was amended again to 30% then again amended to 25%, then further reduced to the current funding of zero. In 2012 it was understood by many of the municipalities that in 2012 it was supposed to be reinstated to 35%, but it was eliminated in the 2011 budget process which brings us to our current

Original: House Clerk

Cc: Committee Bill File

funding level of zero. Although changes were made over the years, at no time was it understood by the municipalities that this agreement by the state came with a sunset or termination date. Instead, it was understood that the state would continue as contributing partner in perpetuity. If municipalities had known in 1967 that the state would not fund their contributions, perhaps a different opinion would have been expressed by the municipalities at that time with legislation to continue the partnership. If one thinks that this elimination of the state's contribution responsibility was the panacea to the unfunded actuarial accrued liability (UAAL) they would be mistaken, for the UAAL still exists and other legislation was introduced to adjust that issue. In summary, the state walked away from being a contributing partner, which has led to a promise made and a promise unkept. Currently the state makes no contributions leaving the municipalities and taxpayers holding the bag and in essence a tax of 35% to member municipalities. This bill has the support of your municipal government expressed through the New Hampshire Municipal Association (NHMA). If you have employees in the NHRS, please just go ask your mayors, town administrators or other town officials if your community is feeling the pinch this downsizing has caused. So, you may then ask what is the solution? It is the adoption of this bill, which is a judicious and prudent attempt to compromise the absence of the state's contribution, not to the full 35%, but at a more practical 5%, and providing the 2012 intention of reinstating 35% that was eliminated in HB 2: Chapter 224, Laws of 2011, thus alleviating the inadvertent tax levied upon our constituents. This will allow each, and every contributing municipality and her taxpayers a minor breather, and perhaps allow each community additional funding to combat the other elephant in the room, COVID-19.

Rep. Michael O'Brien

Original: House Clerk
Cc: Committee Bill File

REGULAR CALENDAR

Executive Departments and Administration

HB 274-FN-LOCAL, relative to payment by the state of a portion of retirement system contributions of political subdivision employers. **WITHOUT RECOMMENDATION**

Statement in support of Inexpedient to Legislate: This bill would require the state to pay 5% of the employer's portion of pension contributions paid by municipalities. It would cause every taxpayer in the state to subsidize local employees, without any say in the number of such employees employed, their pay or benefits. This subsidy creates incentives for localities to increase the number or pay of their employees, since they would not pay the full cost themselves. In addition, committee members are skeptical that this would actually provide property tax relief because we've all seen cases where outside funds sent to local governments result in higher spending, not lower taxes. We are also concerned that the minimal 5% share in this bill could easily be increased by future legislatures. Finally, the constant cry about broken promises and downshifting to localities is based on a mistaken premise. In 2011, when the pension system was restructured, the employees were required to pay in 2% more than they had previously, which provided approximately as much money as the state's contribution. If there is any downshifting in this scenario, it is to the employees, not the employers. The increased requirements for employer payments since then are due to paying off 17 years of miscalculated employer contributions (plus interest), demographic changes, poor investment results, and changing policies at the retirement system.

Rep. Carol McGuire

Statement in support of Ought to Pass: This bill requires the state to pay 5 percent of the normal and accrued liability contributions of the political subdivision retirement employers for group I teachers as well as group II (police and fire) members beginning in FY 2022. The intention of this bill is to alleviate the burden of the sole contribution by all participating municipalities in the New Hampshire Retirement System (NHRS), thus relieving the tax burden to the citizens when the state removed its obligation as a co-contributor to the NHRS system. This bill is a partial, prudent, and conservative attempt to reconstruct the state obligation. It is not at the original agreed to rate of 35% that was paid in the 1970's, but at a sensible rate of 5% relieving the applied tax to municipalities and their taxpayers this reduction inadvertently caused. To make a fair decision on this matter a brief overview and explanation is needed of the original agreement between the state and the contributing municipalities. NHRS was founded in 1967 from a combination of four existing retirement groups, Fire, Police, Teachers, and employees (e.g. state and local workers). Teachers and employees became known as group I, fire and police became known as group II. To entice municipalities to become contributing members, the state agreed to pay 40% of the shared costs in 1967. It was changed in the 1970's to what many of us remember of 35% of the shared costs. It remained under this agreement until 2010 when it was amended again to 30% then again amended to 25%, then further reduced to the current funding of zero. In 2012 it was understood by many of the municipalities that in 2012 it was supposed to be reinstated to 35%, but it was eliminated in the 2011 budget process which brings us to our current funding level of zero. Although changes were made over the years, at no time was it understood by the municipalities that this agreement by the state came with a sunset or termination date. Instead, it was understood that the state would continue as contributing partner in perpetuity. If municipalities had known in 1967 that the state would not fund their contributions, perhaps a different opinion would have been expressed by the municipalities at that time with legislation to continue the partnership. If one thinks that this elimination of the state's contribution responsibility was the panacea to the unfunded actuarial accrued liability (UAAL) they would be mistaken, for the UAAL still exists and other legislation was introduced to adjust that issue. In summary, the state walked away from being a contributing partner, which has led to a promise made and a promise unkept. Currently the state makes no contributions leaving the municipalities and taxpayers holding the bag and in essence a tax of 35% to member municipalities. This bill has the support of your municipal government expressed through the New Hampshire Municipal Association (NHMA). If you have employees in the NHRS, please just go ask your mayors, town administrators or other town officials if your community is feeling the pinch this downsizing has caused. So, you may then ask what is the solution? It is the adoption of

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Cc: Committee Bill File

this bill, which is a judicious and prudent attempt to compromise the absence of the state's contribution, not to the full 35%, but at a more practical 5%, and providing the 2012 intention of reinstating 35% that was eliminated in HB 2: Chapter 224, Laws of 2011, thus alleviating the inadvertent tax levied upon our constituents. This will allow each, and every contributing municipality and her taxpayers a minor breather, and perhaps allow each community additional funding to combat the other elephant in the room, COVID-19.

Rep. Michael O'Brien

Original: House Clerk
Cc: Committee Bill File

Archived: Tuesday, April 20, 2021 9:30:56 AM
From: [Carol McGuire](#)
Sent: Friday, February 12, 2021 12:13:57 PM
To: [Miriam Simmons](#)
Subject: Re: HB 274 ? Exec
Response requested: Yes
Importance: Normal

There wasn't any motion passed. It is going to the floor with no recommendation. We will vote on that position next Thursday, just to get a number for the vote total. (Per a talk with Paul this morning.) I'm writing the recommendation in favor of ITL, Rep. O'Brien in favor of OTP; you'll have them by Tuesday morning.

Carol

On Fri, Feb 12, 2021 at 10:56 AM Miriam Simmons <miriam.simmons@leg.state.nh.us> wrote:

I do not see a passed motion after the Amendment was passed.

It looks like HB 274 has no recommendation .

Is it coming back for another Exec session?

Miriam Simmons

Committee Assistant

271-3600 (leave msg for remote contact)

.or email -

miriam.simmons@leg.state.nh.us



Archived: Tuesday, April 20, 2021 9:30:56 AM
From: [Miriam Simmons](#)
Sent: Wednesday, February 17, 2021 11:54:06 AM
To: [Pam Smarling](#)
Cc: [Miriam Simmons](#)
Subject: RELEASED HB 274 revised statements
Response requested: No
Importance: Normal

I used these cleaned paragraphs
And have RELEASED HB 274 WO Recommendation

Miriam

From: Pam Smarling <Pam.Smarling@leg.state.nh.us>
Sent: Wednesday, February 17, 2021 11:20 AM
To: Miriam Simmons <miriam.simmons@leg.state.nh.us>
Subject: revised statements

Here you go, Miriam. I made some edits and put both of them into a single paragraph. I don't know whether you need the motion and motion maker in the body of the text or not. I'll let you figure that out.

Pam

Pam Smarling, Senior Committee Researcher
House Committee Research, Room 409, LOB
33 N. State St., Concord, NH 03301
(603) 271-3387



Archived: Tuesday, April 20, 2021 9:30:56 AM

From: [Michael O'Brien](#)

Sent: Tuesday, February 16, 2021 9:47:38 AM

To: [Carol McGuire](#); [Miriam Simmons](#)

Subject: Blurb for HB 274

Importance: Normal

Attachments:

[HB274 Blure Submitted.docx](#) 

here is the blurb for HB 274. Miriam could you make sure this gets to everyone it should.

Thanks

Mike

Michael B. O'Brien Sr.

Committee of Executive Departments & Administration

New Hampshire House of Representatives

District 36, Nashua Ward 9

o 603-271-3554 c 603-305-6368

HB 274 -FN-LOCAL

This Bill requires the State to pay 5 percent of the normal and accrued liability contributions of the political subdivisions retirement employers for group I teachers, employees as well as group II (police and fire) members beginning in FY 2022 with the recommendation of OTP.

Rep. Michael B. O'Brien Sr.
For the Committee of ED&A

The intention of this bill is to alleviate the burden of the sole contribution by all participating municipalities in the New Hampshire Retirement System (NHRS), thus relieving the tax burden to the citizens when the State removed its obligation as a co-contributor to the NHRS system. This bill is a partial, prudent, and conservative attempt to reconstruct the State obligation. It is not at the original agreed to rate of 35% from the 1970's, but at a sensible rate of 5% relieving the applied tax to municipalities and their taxpayers this reduction inadvertently caused.

To make a fair decision on this matter a brief overview and explanation is needed of the original agreement between the State and the contributing municipalities. NHRS was founded in 1967 from a combination of four existing retirement groups, Fire, Police, Teachers, and employees (eg. state workers). Teachers and employees became known as group I, fire and police became known as group II. To entice municipalities to become contributing members, the state agreed to pay 40% of the shared costs in 1967. It was changed in the 1970's to what many of us remember of 35% of the shared costs. It remained under this agreement till 2010 when it was amended again to 30% then again amended to 25%, then further reduced to the current funding of zero. In 2012 it was understood by many of the municipalities that in 2012 it was supposed to be reinstated to 35%, but it was eliminated in the 2011 budget process which brings us to our current funding level of zero. Although changes were made over the years, at no time was it understood by the municipalities that this agreement by the state came with a sunset or termination date. Instead, it was understood that the state would continue as contributing partner in perpetuity. If municipalities had known in 1967 that the state would not fund their contributions, perhaps a different opinion would have been expressed by the municipalities at that time with legislation to continue the partnership.

If one thinks that this elimination of the state's contribution responsibility was the panacea to the unfunded actuarial accrued liability (UAAL) they would be mistaken, for the UAAL still exists and other legislation was introduced to adjust that issue. In summary to the issue of the state walking away from being a contributing partner, is a promise made, a promise unkept. Currently the state makes no contributions leaving the municipalities and taxpayers holding the bag and in essence a tax of 35% to member municipalities.

This bill has the support of your municipal government expressed through the New Hampshire Municipal Association (NHMA). If you have employees in the NHRS, please just

go ask your mayors, town administrators or other town officials if your community is feeling the pinch this downsizing has caused.

So, you may then ask what is the solution? It is OTP of HB274-FN, for this bill is a judicious and prudent attempt to compromise the vacancy of the state's contribution, not to the full 35%, but at a more practical 5%, and providing the 2012 intention of reinstating 35% that was eliminated in HB2: Chapter 224, Laws of 2011, thus alleviating the inadvertent tax levied upon our constituents. This will allow each, and every contributing municipality and her taxpayers a minor breather, and perhaps allow each community additional funding to combat the other elephant in the room, COVID 19. Therefore, I ask you to support your municipal government, your constituents, the taxpayers, of your community with your support of the motion of OTP.

Respectfully, submitted

Rep. Michael B. O'Brien Sr.

Dist. 36 and the ED&A Committee

Archived: Tuesday, April 20, 2021 9:30:58 AM

From: [Carol McGuire](#)

Sent: Monday, February 15, 2021 2:28:25 PM

To: [Miriam Simmons](#); [Pam Smarling](#)

Subject: HB 274

Response requested: Yes

Importance: Normal

Statement in favor of ITL

This bill would have the state pay 5% of the pension contributions from municipalities. It would cause every taxpayer in the state to subsidize local employees, without any say in the number of such employees, their pay or benefits. This subsidy creates incentives for localities to increase the number or pay of their employees, since they would not pay the full cost themselves.

In addition, committee members are skeptical that this would actually provide property tax relief because we've all seen cases where outside funds sent to local governments result in higher spending, not lower taxes. We are also concerned that the minimal 5% share in this bill could easily be increased by future legislatures.

Finally, the constant cry about broken promises and downshifting to localities is based on a mistaken premise. In 2011, when the pension system was restructured, the employees were required to pay in 2% more than they had previously, which provided approximately as much money as the state's contribution. If there is any downshifting in this scenario, it is to the employees, not the employers. The increased requirements for employer payments since then are due to paying off 17 years of mis-calculated employer contributions (plus interest), demographic changes, poor investment results, and changing policies at the retirement system.

Carol McGuire

Voting Sheets

HOUSE COMMITTEE ON EXECUTIVE DEPARTMENTS AND ADMINISTRATION

EXECUTIVE SESSION on HB 274-FN-LOCAL

BILL TITLE: relative to payment by the state of a portion of retirement system contributions of political subdivision employers.

DATE: February 8, 2021

LOB ROOM: Remote / Hybrid

MOTIONS: INEXPEDIENT TO LEGISLATE

Moved by Rep. Roy

Seconded by Rep. T. Lekas

Vote: 8-10
FAILS

Executive Session was Continued -

EXECUTIVE SESSION on HB 274-FN-LOCAL

DATE: February 11, 2021

MOTIONS: OUGHT TO PASS WITH AMENDMENT

Moved by Rep. S. Pearson

Seconded by Rep. T. Lekas

AM Vote: 10-9

Amendment # 2021-0295h

Moved by Rep. S. Pearson

Seconded by Rep. Alliegro

Vote: 7-12
FAILS

MOTIONS: OUGHT TO PASS

Moved by Rep. Schultz

Seconded by Rep. O'Brien

Vote: 9-10
FAILS

WITHOUT RECOMMENDATION to the House Session

Two Motions submitted for Calendar; ITL and OTP

Respectfully submitted,

Rep John Sytek, Clerk

HOUSE COMMITTEE ON EXECUTIVE DEPARTMENTS & ADMINISTRATION

EXECUTIVE SESSION on Bill # HB 274

BILL TITLE: RELATIVE TO PAYMENT BY THE STATE OF A PORTION OF RETIREMENT SYSTEMS CONTRIBUTIONS OF POLITICAL SUBDIVISION EMPLOYEES,

DATE: 2-11-21

LOB ROOM: 306-308

MOTION: (Please check one box)

- OTP
- ITL
- Retain (1st year)
- Adoption of Amendment # 0295H
(if offered)
- Interim Study (2nd year)

Moved by Rep. PEARSON Seconded by Rep. LEKAS Vote: 10-9

MOTION: (Please check one box)

- OTP
- OTP/A
- ITL
- Retain (1st year)
- Adoption of Amendment # _____
(if offered)
- Interim Study (2nd year)

Moved by Rep. PEARSON Seconded by Rep. ALLIEGRO Vote: 7-12

MOTION: (Please check one box)

- OTP
- OTP/A
- ITL
- Retain (1st year)
- Adoption of Amendment # _____
(if offered)
- Interim Study (2nd year)

Moved by Rep. SCHULTZ Seconded by Rep. O'BRIEN Vote: 9-10

MOTION: (Please check one box)

- OTP
- OTP/A
- ITL
- Retain (1st year)
- Adoption of Amendment # _____
(if offered)
- Interim Study (2nd year)

Moved by Rep. DEGUIRE Seconded by Rep. ALLIEGRO Vote: _____

CONSENT CALENDAR: ___ YES ___ NO

Minority Report? ___ Yes ___ No If yes, author, Rep: _____ Motion _____

Respectfully submitted: _____

Rep. John Sytek, Clerk



2021 SESSION

Executive Departments and Administration

Bill #: HB 274 Motion: OTP AM #: _____ Exec Session Date: 2-11-21

<u>Members</u>	<u>YEAS</u>	<u>Nays</u>	<u>NV</u>
McGuire, Carol M. Chairman		X	
Roy, Terry Vice Chairman WERNER		X	
Sytek, John Clerk		X	
Pearson, Stephen C.		X	
Yakubovich, Michael		X	
Lekas, Tony		X	
Alliegro, Mark C.		X	
Bailey, Glenn		X	
Lanzara, Tom E.		X	
Santonastaso, Matthew		X	
Goley, Jeffrey P.	X		
Schuett, Dianne E.	X		
Judy, Jean L.	X		
Schmidt, Peter B.	X		
Schultz, Kristina M.	X		
Fellows, Sallie D.	X		
Fontneau, Timothy J.	X		
Grote, Jaci L.	X		
O'Brien, Michael B.	X		
TOTAL VOTE:			



2021 SESSION

Executive Departments and Administration

Bill #: HB 274 Motion: OTP/A AM #: 0295H Exec Session Date: 2-11-21

<u>Members</u>	<u>YEAS</u>	<u>Nays</u>	<u>NV</u>
McGuire, Carol M. Chairman	X		
Roy, Terry Vice-Chairman WERNER	X		
Sytek, John Clerk	X		
Pearson, Stephen C.	X		
Yakubovich, Michael		X	
Lekas, Tony		X	
Alliegro, Mark C.	X		
Bailey, Glenn	X		
Lanzara, Tom E.	X		
Santonastaso, Matthew		X	
Goley, Jeffrey P.		X	
Schuett, Dianne E.		X	
Jeudy, Jean L.		X	
Schmidt, Peter B.		X	
Schultz, Kristina M.		X	
Fellows, Sallie D.		X	
Fontneau, Timothy J.		X	
Grote, Jaci L.		X	
O'Brien, Michael B.		X	
TOTAL VOTE:			



2021 SESSION

Executive Departments and Administration

Bill #: HB 274 Motion: ADOPT AMEND AM #: 0295H Exec Session Date: 2-11-21

<u>Members</u>	<u>YEAS</u>	<u>Nays</u>	<u>NV</u>
McGuire, Carol M. Chairman	X		
Roy, Terry Vice-Chairman WERNER	X		
Sytek, John Clerk	X		
Pearson, Stephen C.	X		
Yakubovich, Michael	X		
Lekas, Tony	X		
Alliegro, Mark C.	X		
Bailey, Glenn	X		
Lanzara, Tom E.	X		
Santonastaso, Matthew	X		
Goley, Jeffrey P.		X	
Schuett, Dianne E.		X	
Jeudy, Jean L.		X	
Schmidt, Peter B.		X	
Schultz, Kristina M.		X	
Fellows, Sallie D.		X	
Fontneau, Timothy J.		X	
Grote, Jaci L.		X	
O'Brien, Michael B.		X	
TOTAL VOTE:			

10-9

Amendment to HB 274-FN-LOCAL

1 Amend the bill by replacing sections 1 and 2 with the following:

2

3 1 Short Title; Purpose.

4 I. This act may be known as the "Property Tax Relief Act of 2021."

5 II. This act restores the state's contribution of a portion of the retirement costs of
6 firefighters and local police. Its purpose is to help ease the local property tax burden, provide
7 property tax relief to the cities and towns, and enhance public safety.

8 2 Retirement System; Employer Contributions; Group II; State Share of Contributions. Amend
9 RSA 100-A:16, II(b) to read as follows:

10 (b) The contributions of each employer for benefits under the retirement system on
11 account of group II members shall consist of a percentage of the earnable compensation of its
12 members to be known as the "normal contribution," and an additional amount to be known as the
13 "accrued liability contribution;" provided that beginning with state fiscal year [2013] **2022** and for
14 each state fiscal year thereafter, any employer [~~shall pay the full amount of such total contributions~~]
15 ***other than the state, shall pay 95 percent of such total contributions, and 5 percent thereof***
16 ***shall be paid by the state; and provided further that, in case of group II members employed***
17 ***by the state, the state shall pay both normal and accrued liability contributions.*** The rate
18 percent of such normal contribution, including contributions on behalf of group II members whose
19 group II creditable service is in excess of 40 years, in each instance shall be fixed on the basis of the
20 liabilities of the system with respect to the particular members of the various member classifications
21 as shown by actuarial valuations, except as provided in subparagraph (i).

2021-0295h

AMENDED ANALYSIS

This bill provides that the state shall pay 5 percent of contributions of retirement system employers other than the state for group II fire and police members.

UNAPPROVED



2021 SESSION

Executive Departments and Administration

Bill #: HB 274 Motion: ITL AM #: _____ Exec Session Date: 2-8-21

<u>Members</u>	<u>YEAS</u>	<u>Nays</u>	<u>NV</u>
McGuire, Carol M. Chairman	X		
Roy, Terry Vice Chairman	X		
Sytek, John Clerk	X		
Pearson, Stephen C.			X
Yakubovich, Michael	X		
Lekas, Tony	X		
Alliegro, Mark C.	X		
Bailey, Glenn	X		
Lanzara, Tom E.		X	
Santonastaso, Matthew	X		
Goley, Jeffrey P.		X	
Schuett, Dianne E.		X	
Jeudy, Jean L.		X	
Schmidt, Peter B.		X	
Schultz, Kristina M.		X	
Fellows, Sallie D.		X	
Fontneau, Timothy J.		X	
Grote, Jaci L.		X	
O'Brien, Michael B.		X	
TOTAL VOTE:			

8 - 10

Hearing Minutes

HOUSE COMMITTEE ON EXECUTIVE DEPARTMENTS AND ADMINISTRATION

PUBLIC HEARING ON HB 274-FN-LOCAL

BILL TITLE: relative to payment by the state of a portion of retirement system contributions of political subdivision employers.

DATE: January 27, 2021

LOB ROOM: LOB Hybrid **Time Public Hearing Called to Order:** 11:10 a.m.

Time Adjourned: 11:40 a.m.

(please circle if present)

Committee Members: ALL Reprs. McGuire, Roy, Sytek, S. Pearson, Yakubovich, Lekas, Alliegro, Bailey, Lanzara, Santonastaso, P. Schmidt, Schultz, Goley, Jeudy, Schuett, Fellows, Fontneau, Grote, M. O'Brien

Bill Sponsors:

Rep. O'Brien

Rep. Cushing

Sen. Rosenwald

TESTIMONY

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

HB 274 relative to the payment by the state of a portion of the retirement system contributions of political subdivision employers. (11:10/11:40)

Rep. O'Brien introduced the bill and spoke in support.

He said it was time to get back to the system as it was intended. That is, to restore the subsidy by the state of the employer contribution. This had been reduced from 40% down to zero over time. He cited the impact on Nashua but said that that increases have been felt all over the state as municipalities with the problems of homelessness and COVID cannot absorb the cost.

Marty Karlon, Public Information Officer of the NHRS said that the NHRS was not taking a position on the bill since it had no impact on the system.

- He also reviewed the history of the subsidies by the state.

Becky Benvenuti, Government Finance Adviser for the Municipal Association, spoke in support.

It was the long-standing policy of the NHMA to advocate for restoring the subsidy. This bill would provide needed relief.

Jim Donchess, Mayor of Nashua, spoke in support.

He said that this return to contributing the subsidy was a small amount. He pointed out the subsidy had been originally an inducement for municipalities to join the NHRS. He said that ending the subsidy was a broken promise. He described the delicate balance between taxes and services and noted the \$2M impact on July 1 on the Nashua budget.

Dennis Corrigan, Granite State Taxpayers, spoke in opposition.

He had two concerns.

As the state relieved the municipalities of some cost, it could encourage increased benefits. Also, he was concerned about the “ratchet effect” that there would be pressure to continue to raise the subsidy.

John L. Griffin, CFO of the city of Nashua spoke in support.

He cited how large this cost has grown and the effects of the pandemic on city finances.

Public hearing adjourned at 11:40 a.m.

Respectfully submitted by

Rep. John Sytek

Committee Clerk

HB 274 relative to the payment by the state of a portion of the retirement system contributions of political subdivision employers. (11:10/11:40)

>Rep. O'Brien introduced the bill and spoke in support. He said it was time to get back to the system as it was intended. That is, to restore the subsidy by the state of the employer contribution. This had been reduced from 40% down to zero over time. He cited the impact on Nashua but said that that increases have been felt all over the state as municipalities with the problems of homelessness and COVID cannot absorb the cost.

>Marty Karlon, Public Information Officer of the NHRS said that the NHRS was not taking a position on the bill since it had no impact on the system. He also reviewed the history of the subsidies by the state.

>Becky Benvenuti, Government Finance Adviser for the Municipal Association, spoke in support. It was the long-standing policy of the NHMA to advocate for restoring the subsidy. This bill would provide needed relief.

>Jim Donchess, Mayor of Nashua, spoke in support. He said that this return to contributing the subsidy was a small amount. He pointed out the subsidy had been originally an inducement for municipalities to join the NHRS. He said that ending the subsidy was a broken promise. He described the delicate balance between taxes and services and noted the \$2M impact on July 1 on the Nashua budget.

>Dennis Corrigan, Granite State Taxpayers, spoke in opposition. He had two concerns. As the state relieved the municipalities of some cost, it could encourage increased benefits. Also, he was concerned about the "ratchet effect" that there would be pressure to continue to raise the subsidy.

>John L. Griffin, CFO of the city of Nashua spoke in support. He cited how large this cost has grown and the effects of the pandemic on city finances.

House Remote Testify

Executive Departments and Administration Committee Testify List for Bill HB274 on 2021-01-27

Support: 46 Oppose: 3 Neutral: 1 Total to Testify: 5

<u>Name</u>	<u>Email Address</u>	<u>Phone</u>	<u>Title</u>	<u>Representing</u>	<u>Position</u>	<u>Testifying</u>	<u>Signed Up</u>
cushing, renny	reprennycushing@gmail.com	617.930.5196	An Elected Official	Myself	Support	Yes (0m)	1/26/2021 2:05 PM
Donchess, James	donchessj@nashuanh.gov	603.566.3628	An Elected Official	Nashua	Support	Yes (0m)	1/27/2021 7:35 AM
Karlon, Marty	marty.karlon@nhrs.org	603.410.3594	State Agency Staff	NH Retirement System	Neutral	Yes (0m)	1/22/2021 11:37 AM
Benvenuti, Becky	bbenvenuti@nhmunicipal.org	603.230.3308	A Lobbyist	New Hampshire Municipal Association	Support	Yes (0m)	1/26/2021 12:11 PM
CORRIGAN, R DENNIS	dennis@rdcorrigan.com	603.340.4393	A Member of the Public	Myself	Oppose	Yes (0m)	1/26/2021 1:31 PM
Hamblet, Joan	jhamblet4@gmail.com	603.205.4925	A Member of the Public	Myself	Support	No	1/26/2021 1:38 PM
Nutting-Wong, Allison	allison.nuttingwong@leg.state.nh.us	603.809.0560	An Elected Official	Myself	Support	No	1/26/2021 8:59 AM
Schmidt, Jan	tesha4@gmail.com	603.880.6060	An Elected Official	Myself	Support	No	1/26/2021 9:05 AM
Snow, Amy	asnow@cvilleagefd.com	603.447.5470	A Member of the Public	Myself	Support	No	1/26/2021 10:11 AM
Basora, Danielle	danielle.basora@goffstownnh.gov	603.384.3518	A Member of the Public	Town of Goffstown	Support	No	1/26/2021 11:24 AM
Rosenwald, Cindy	cindy.rosenwald@gmail.com	603.566.0586	An Elected Official	SD 13	Support	No	1/22/2021 5:14 PM
Lalonde, Curtis	cslalonde@metrocast.net	603.833.8819	A Member of the Public	Myself	Support	No	1/23/2021 12:17 PM
Hartmann, Sylvia	s42yth@comcast.net	603.623.6721	A Member of the Public	Myself	Support	No	1/23/2021 12:45 PM
Gelineau, Karen	prgkmg1@aol.com	603.824.6161	A Member of the Public	Myself	Support	No	1/23/2021 1:24 PM
Till, Mary	maryforderry@yahoo.com	603.203.1961	A Member of the Public	Myself	Support	No	1/23/2021 1:34 PM
Labrecque, Melissa	mlabrecque81@comcast.net	603.809.4969	A Member of the Public	Myself	Support	No	1/23/2021 3:02 PM
English, Joshua	jenglish163@gmail.com	603.209.8680	A Member of the Public	Myself	Support	No	1/23/2021 5:11 PM
Reed, Judith	jureed@keene.edu	603.357.4905	A Member of the Public	Myself	Support	No	1/23/2021 1:47 PM
Mertz, Kenneth	selectmen@new-hampton.nh.us	603.744.3559	An Elected Official	The Town of New Hampton	Support	No	1/27/2021 8:55 AM
Beaudin, K.	townadministrator@belmontnh.org	603.267.8300	A Member of the Public	Town of Belmont/Town Administrator	Support	No	1/27/2021 8:56 AM
Cressman, David	cressmandg@atkinson-nh.gov	603.362.1060	A Member of the Public	Myself	Support	No	1/27/2021 8:25 AM
Dunn, Scott	sdunn@gilfordnh.org	603.527.4706	A Member of the Public	the Town of Gilford Board of Selectmen	Support	No	1/27/2021 9:10 AM
Mangipudi, Latha	Latha.Mangipudi@leg.state.nh.us	603.891.1239	An Elected Official	Hills 35	Support	No	1/27/2021 9:12 AM
Griffin, John	griffinj@nashuanh.gov	978.758.5466	A Member of the Public	City of Nashua - CFO	Support	No	1/27/2021 9:40 AM

MacStay, Nicole	nmacstay@peterboroughnh.gov	9248000	A Member of the Public	Town of Peterborough	Support	No	1/27/2021 9:58 AM
Hawkins, Brian	bhawkins@nhnea.org	603.545.7305	A Lobbyist	NEA-NH	Support	No	1/27/2021 10:43 AM
Vail, Rep Suzanne	Suzanne.vail@leg.state.nh.us	603.234.0704	An Elected Official	Hillsborough County 30	Support	No	1/26/2021 2:22 PM
Brackett, Glenn	communications@nhaficio.org	603.623.7302	A Lobbyist	The working families of the NH AFL-CIO	Support	No	1/26/2021 2:38 PM
Osborne, Jason	houserepoffice@leg.state.nh.us	603.271.3665	An Elected Official	House Majority Office	Oppose	No	1/26/2021 2:45 PM
Buono, Laura	Laura@Hillsboroughnh.net	603.464.7970	A Member of the Public	Town of Hillsbrough	Support	No	1/26/2021 2:56 PM
Beaudry, Arthur	nhspffra@comcast.net	603.622.3473	A Member of the Public	NHSPFFRA	Support	No	1/26/2021 2:57 PM
Drabik, Lisa	ldrabik@londonderrynh.org	603.432.1100	A Member of the Public	Town of Londonderry	Support	No	1/26/2021 3:00 PM
Todd Selig, Durham Town Manager	tselig@ci.durham.nh.us	603.868.5571	A Member of the Public	Town of Durham, NH	Support	No	1/26/2021 3:11 PM
Hanson, Donna	antrimbiz@tds.net	978.857.8488	A Member of the Public	Myself	Support	No	1/26/2021 3:15 PM
Griffin, Julia	julia.griffin@hanovernh.org	603.398.9399	A Member of the Public	Town of Hanover	Support	No	1/26/2021 3:29 PM
Telerski, Laura	Laura.Telerski@leg.state.nh.us	603.320.3957	An Elected Official	Hillsborough 35	Support	No	1/26/2021 3:52 PM
Ryll, Brian	brian@pffnh.org	603.223.3304	A Lobbyist	Professional Fire Fighters of NH	Support	No	1/26/2021 4:11 PM
Warren, Phillip	pwarren@meredithnh.org	603.677.4205	A Member of the Public	Myself	Support	No	1/26/2021 4:12 PM
Rathbun, Eric	ericrathbun@gmail.com	860.912.3751	A Member of the Public	Myself	Support	No	1/26/2021 9:15 PM
Frye, Matthew	mfrye@town.northwood.nh.us	603.397.2990	An Elected Official	Northwood Board of Selectmen	Support	No	1/26/2021 9:37 PM
Bomba, Lisa	lbomba663@comcast.net	603.762.0005	A Member of the Public	Myself	Support	No	1/25/2021 7:33 AM
Lehmenkuler, Robert	blehmenkuler@comcast.net	603.362.3034	A Member of the Public	Myself	Support	No	1/23/2021 3:38 PM
Nelson, Brett	brn103@comcast.net	603.828.5747	A Member of the Public	Myself	Support	No	1/24/2021 4:08 PM
Daly, John	daly.johnj4@gmail.com	603.370.9283	A Member of the Public	Myself	Support	No	1/24/2021 4:23 PM
Donovan, Terri	terrid@metrocast.net	603.393.9705	A Member of the Public	Myself	Support	No	1/25/2021 10:30 AM
Wolper, Mitchell	applecider@comcast.net	603.759.3585	A Member of the Public	Myself	Support	No	1/25/2021 11:02 AM
McDermott, Jane	jmcdermott@ci.keene.nh.us	603.762.0274	A Member of the Public	Myself	Support	No	1/25/2021 2:14 PM
Kimball, Jean	JCKNH@comcast.net	603.483.2001	A Member of the Public	Myself	Oppose	No	1/25/2021 3:32 PM
Dick, David	ddick1@comcast.net	603.848.3978	A Member of the Public	Myself	Support	No	1/25/2021 8:31 PM
Klee, Patricia	patricia.klee@leg.state.nh.us	603.966.0979	An Elected Official	Myself	Support	No	1/25/2021 8:37 PM

Testimony



HOUSE COMMITTEE RESEARCH OFFICE
New Hampshire House of Representatives
4th Floor, Legislative Office Building
Concord, NH 03301
(603) 271-3600

Pam Smarling, Senior Committee Researcher
(603) 271-3387; Pam.Smarling@leg.state.nh.us

To: Rep. Carol M. McGuire, Chairman, House Executive Departments and Administration Committee

From: Pam Smarling, Senior Committee Researcher
House Committee Research

Date: January 25, 2021

RE: HB 274, relative to payment by the state of a portion of retirement system contributions of political subdivision employers.
History of Similar Legislation Filed in 2017 and 2019

You asked:

What was the disposition of previous legislation filed to restore the practice by the state of paying a portion of retirement system contributions of political subdivision employers that was introduced in 2020?

SUMMARY

HB 274 (2021) requires the state to pay 5% of the municipal and school district employer contribution for teachers, police and firefighters. The state discontinued the practice of paying a portion of the local employer contributions in 2012. This bill is estimated to cost \$17.66 million in FY 2022, \$18.09 million in FY 2023 and \$18.53 million in FY 2024.

Legislation was filed in 2017 and 2019 to require the state to pay 15% of the local employer contributions. Both bills were reported as Ought to Pass by a majority of the House ED&A Committee, passed the full House and were referred to the House Finance Committee. The committee reports issued by the House Finance Committee on both bills indicate that Finance members believed that this issue should be addressed in the biennial budget and not in stand-alone legislation. In both years, Finance recommended that the bill be found Inexpedient to Legislate and this recommendation was adopted by the full House.

History of State Subsidy Levels for NHRS Political Subdivision Employers

The state paid a portion of the NHRS employer contribution from 1967-2011. The amount of the state portion decreased over this 45-year period as follows:

<i>Payment Change Took Effect</i>	<i>Percentage of Employer Contribution Paid by the State</i>	<i>Employees for whom Subsidy was Paid</i>
1967	40%	Teachers
1977	35%	Teachers, Police and Fire
2010	30%	Teachers, Police and Fire
2011	25%	Teachers, Police and Fire
2012	State contributions ended; one-time payment of \$3.5 million used to offset loss of subsidy in that year	

2017 Session

HB 413-FN-A-LOCAL, relative to payment by the state of a portion of retirement system contributions of political subdivision employers.

Sponsor: Rep. Cushing

Summary as introduced:

- Starting in fiscal year 2018, required the state to pay 15% of the total employer contribution for political subdivision Group I teachers and Group II police and fire members.
- The fiscal note attached to the bill estimated it would require the following payments by the state:
 - \$40.8 million in FY 2018
 - \$42.1 million in FY 2019
 - \$43.4 million in FY 2020
 - \$44.7 million FY in 2021

House Action

Referred to: House Executive Departments and Administration Committee,
January 5, 2017

House Hearing: January 24, 2017

Committee Report: Majority: Ought to Pass, Vote 10-9, Regular Calendar
Minority: Inexpedient to Legislate

Rep. Raymond Gagnon for the Majority of Executive Departments and Administration. This is a policy commitment by the House for the state to provide a portion of the retirement contributions of its political subdivisions. The bill addresses the Legislature's past decision to terminate retirement subsidies that it had provided as an inducement to participate in the New Hampshire Retirement System (NHRS). The bill is among the most important pieces of legislation to come before the House this session. It provides real assistance to communities faced with escalating property taxes. Lastly, the bill is in sync with comments made by the Governor to reinstate state assistance to its political subdivisions. Also, promises were made to our cities and towns as an inducement to join the NHRS. This bill requires the state to restore this assistance which was first cut as a temporary measure.

Rep. Peter Hansen for the Minority of Executive Departments and Administration. This bill mandates that the state pay 15% of the retirement contributions for local employees. Since the number of employees, their pay and bonuses are local decisions, the minority is concerned that this would encourage towns to spend more. In addition, an inducement to join the retirement system a generation ago can reasonably be discontinued now without violating any promises. Finally, this matter should more reasonably be considered in the context of the entire budget, so that payments to municipalities can be balanced against other promises.

House Vote: Passed, Roll Call vote 267-83,
Referred to House Finance, February 15, 2017

Retained in House Finance 2017

Committee Report: Inexpedient to Legislate, vote 17-9

Rep. J. Tracy Emerick for Finance. This bill is relative to payment by the state of a portion of retirement system contributions of political subdivision employers. As part of the budgeting process, payment of a percent of retirement payments was discussed and dismissed as an uncontrollable cost to the state. An amount of \$50 million was included in the house budget for distribution to municipalities to offset rising taxes, in lieu of a percentage payment. This funding did not make it through the budgeting process and was not included in the final budget signed by the Governor.

House Vote: Found Inexpedient to Legislate, Roll Call vote 172-166
January 9, 2018
Reconsideration failed, Roll Call 170-171, February 8, 2018

Final Action **Killed in the House, 2018**

2019 Session

HB 497, relative to payment by the state of a portion of retirement system contributions of political subdivision employers.

Sponsors: Rep. Cushing, Rep. Cloutier, Rep. O'Brien, Rep. Martin, Rep. Edgar, Rep. Loughman, Rep. Bushway, Rep. Morrison, Rep. King, Rep. Ley, Sen. Rosenwald, Sen. Sherman, Sen. Cavanaugh

Summary as introduced:

- Starting in fiscal year 2020, required the state to pay 15% of the total employer contribution for political subdivision Group I teachers and Group II police and fire members.
- The fiscal note attached to the bill estimated it would require the following payments by the state:
 - \$41.94 million in FY 2020
 - \$43.17 million in FY 2021
 - \$44.42 million in FY 2022
 - \$45.72 million FY in 2023

House Action

Referred to: House ED&A Committee

House Hearing: January 23, 2019

Committee Report: Majority: Ought to Pass, vote 15-5, Regular Calendar

Minority: Ought to Pass with Amendment

Rep. Jaci Grote for the Majority of Executive Departments and Administration.

This bill upholds the promise made by the State to pay a portion of the employer's contribution to the NH Retirement System (NHRS) for Group I (teachers) and Group II members. The state's payment to NHRS was reduced from 35% in 2008 to 0% as of 2012. This bill would require the state to pay 15% of the cost to the NHRS, reducing the burden on our local communities. Since then, municipalities have borne the total burden of payment for their employees causing a large increase in property tax rates. Because of this financial burden, many municipalities have had to forgo other needs in order to fund their NHRS contribution. Many schools have a gap in their budgets due to this burden as well. The NH Municipal Association is in support of this bill.

Rep. Carol McGuire for the Minority of Executive Departments and

Administration. The minority amendment to this bill guarantees property tax relief by reducing the statewide education property tax, which is under state control.

The Education Fund is re-filled from the General Fund, so education spending is not affected; the net effect on the General Fund is the same as the bill without the amendment. By reducing a specific property tax, the minority amendment ensures that all taxpayers get proportional relief, not relying on towns or school districts to trickle down the relief the un-amended bill would give municipalities and schools.

Minority Amendment:

Replaced entire bill with requirements that:

- an amount equal to 15% of political subdivision retirement system contributions be subtracted from the annual state education property tax warrant.
- the amount subtracted from the state education property tax funds be replaced by state general funds.

Floor Action: Minority amendment failed, roll call vote 144-232
 Passed, roll call vote 256-120


Referred to House Finance Committee

Committee Report: Retained in 2019
 Vote after being Retained, Inexpedient to Legislate, vote 20-0,
 Consent Calendar

Rep. William Hatch for Finance. This bill would require the state to appropriate and pay 15% of retirement costs paid by political subdivisions for type II employees and teachers. This was not part of the budget thus the committee recommends Inexpedient to Legislate for HB 497. The committee also considered that based on the revenue sharing formula, the state is distributing \$40 million to communities which they can use to mitigate those retirement costs or any way they choose.

Final Action Killed in the House, 2020

If I can provide further information on this, please let me know.

Archived: Wednesday, March 17, 2021 12:33:02 PM
From: [Jane Ferrini](#)
Sent: Friday, February 12, 2021 8:56:23 AM
To: [~House Executive Departments and Administration](#)
Cc: [Joanna Diemer](#)
Subject: Testimony in support of HB 274 City of Portsmouth
Importance: Normal
Attachments:
[HB 274 Testimony in support.pdf](#) 

Chair McGuire and Members of the House Executive Departments and Administration Committee:

Attached please find the City of Portsmouth's written testimony in support of HB 274 for your consideration.

Please contact me if you have further questions.

Thank you for your consideration.

Jane M. Ferrini
Assistant City Attorney
City of Portsmouth
1 Junkins Avenue
Portsmouth, NH 03801

(603) 610-7256

The information in this message may be legally privileged and confidential. It is intended only for the use of the named individual. If you receive this communication in error, please notify me and delete the communication without making any copy or distributing it.

Archived: Wednesday, March 17, 2021 12:33:02 PM

From: [Miriam Simmons](#)

Sent: Friday, January 29, 2021 9:55:54 AM


To: [Miriam Simmons](#)

Subject: HB 274 Bill Briefs submitted by NHRS

Response requested: No

Importance: Normal

Attachments:

[NHRS_Bill_Brief_HB274_1_27_21_HouseEDA.pdf](#) 

From: Pam Smarling <Pam.Smarling@leg.state.nh.us>

Sent: Tuesday, January 26, 2021 4:37 PM

To: ~House Executive Departments and Administration
<HouseExecutiveDepartmentsandAdministration@leg.state.nh.us>

Cc: Miriam Simmons <miriam.simmons@leg.state.nh.us>

Subject: Bill Briefs submitted by NHRS

TO: All Members of the House ED&A Committee,

Marty Karlon will be testifying on bills related to the NH Retirement System tomorrow. He registered prior to having his testimony finalized and Rep. McGuire asked me to send it along to you tonight.

I'll see you tomorrow a few minutes before 9:30.

Pam

Pam Smarling, Senior Committee Researcher
House Committee Research, Room 409, LOB
33 N. State St., Concord, NH 03301
(603) 271-3387



Archived: Wednesday, March 17, 2021 12:33:02 PM

From: [Griffin, John](#)

Sent: Thursday, January 28, 2021 2:45:53 PM

To: [~House Executive Departments and Administration](#)

Subject: John L. Griffin Written Testimony in Support of HB274

Response requested: No

Importance: Normal

Attachments:

[John L Griffin Written Testimony in Support of HB274.pdf](#) 


Archived: Wednesday, March 17, 2021 12:33:02 PM
From: [Becky Benvenuti](#)
Sent: Wednesday, January 27, 2021 10:44:35 AM
To: ~House Executive Departments and Administration
Subject: HB 274-FN NHMA Testimony
Response requested: No
Importance: Normal
Attachments:
NHMA testimony HB 274-FN_2021-01-27.docx ;

Good morning,
Attached please find written testimony for: HB 274-FN


Becky



Becky I. Benvenuti
Government Finance Advisor
NH Municipal Association
25 Triangle Park Drive
Concord, NH 03301
Tel: (603) 230-3308
Email: bbenvenuti@nhmunicipal.org
www.nhmunicipal.org

Archived: Wednesday, March 17, 2021 12:33:02 PM
From: dennis@rdcorrigan.com
Sent: Tuesday, January 26, 2021 5:19:27 PM
To: ~House Executive Departments and Administration
Subject: Written testimony for HB274
Response requested: No
Importance: Normal
Attachments:
[Testimony on HB274 2021.docx](#) 

For tomorrow's hearing

Archived: Wednesday, March 17, 2021 12:33:03 PM
From: [Schmidt, Jan](#)
Sent: Tuesday, January 26, 2021 9:19:52 AM
To: ~House Executive Departments and Administration
Subject: HB 274 and HB 390 - please pass both
Response requested: No
Importance: Normal
Attachments: [NashuaCitysealcolorjpeg_000.jpg](#) ;

Of all years, of all the times I have ever worked with our budget, this year will stress our homeowners the most.

Please, support NH's communities, our homeowner, and our stressed budgets by passing both HB 274 and HB 390.

Respectfully,
Jan

Jan Schmidt
schmidtj@nashuanh.gov<<mailto:schmidtj@nashuanh.gov>>

Nashua's Ward 1 Alderman

[cid:B355A4DA-B6DD-4016-8963-28F38ED8634B@hsd1.nh.comcast.net.]

Archived: Wednesday, March 17, 2021 12:33:03 PM
From: Phillip L. Warren
Sent: Tuesday, January 26, 2021 4:14:32 PM
To: ~House Executive Departments and Administration
Subject: HB 274
Response requested: No
Importance: Normal

Please note the support of this office for the aforementioned bill. Passage of this bill will provide necessary property tax relief to the citizens of the Town of Meredith. The planned increases to the retirement contributions will require that future budgets are reduced to allow for increases, making the delivery of services much harder for the community.

Thank you for your consideration.

Sincerely,

Phillip L. Warren, Jr.
Town Manager, Town of Meredith, NH
pwarren@meredithnh.org www.meredithnh.org

This message contains confidential information and is intended only for the individual named. If you are not the named addressee you should not disseminate, distribute or copy this e-mail. Please notify the sender immediately by e-mail if you have received this e-mail by mistake and delete this e-mail from your system. E-mail transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this message, which arise as a result of e-mail transmission. If verification is required please request a hard-copy version.

Archived: Wednesday, March 17, 2021 12:33:03 PM
From: Amy Snow
Sent: Tuesday, January 26, 2021 10:18:18 AM
To: ~House Executive Departments and Administration
Subject: [CAUTION: SUSPECT SENDER] HB 274
Response requested: No
Importance: Normal

Dear Ladies and Gentlemen

I am writing in support of HB 274. We are a small political subdivision providing water, sewer, and fire services. The increase in employers' contribution to New Hampshire Retirement is getting unmanageable. It is almost to the point that raises are unthinkable due to the cost to NHRS and forget about overtime. The firefighters are a critical part of our community and community safety and they deserve to be paid for their training and expertise not to mention putting their lives on the line daily to protect citizens and their property. Payroll and payroll related expensed are a large part of budgets that are passed on to the tax payers so even a 5% decrease would be beneficial to us all.

Thank you for the work you do.

Sincerely,

Amy Snow

Municipal Bookkeeper
Conway Village Fire District
128 West Main St.
Conway, NH 03818
Phone# (603) 447-5470
Fax# (603) 447-3271
www.cvillagefd.com



CITY OF PORTSMOUTH

Municipal Complex
1 Junkins Avenue
Portsmouth, New Hampshire 03801
mayorbecksted@gmail.com
(603) 610-7200

Rick Becksted
Mayor

February 11, 2021

Chair Carol McGuire
House Executive Departments and Administration Committee
107 North Main Street
Concord, NH 03301

Re: City of Portsmouth's Written Testimony in support of HB 274

Chair McGuire and Members of the House Executive Departments and Administration Committee:

Due to the impact of COVID-19 and limited monies coming directly to cities and towns through the CARES Act, it is more critical than ever for the Legislature to find ways to help relieve the burden on the property tax for local residents. HB 274 would provide that needed relief by helping to reduce municipal budgets that will be significantly increased due to substantial rate increases to employer contributions to the NH Retirement System for 2022-23.

The rate increases for the 2022-23 employer contributions are substantial: 25.87% for employees; 18.09% for teachers; 19.17% for police; and 9.64% for fire. These rate increases account for an increase in the City or Portsmouth's budget of \$ 1,688,000. If HB 274 were to pass and the State contributed 5% of retirement costs for police, fire and school employees, the City's budget would decrease by **\$436,510**. Passage of HB 274 would give much needed property tax relief to local taxpayers.

This rate increase in employer contributions to the NH Retirement System for employees will be borne by our local taxpayers because municipal budgets have no choice but to absorb the total cost. This will mean either higher tax rates or a reduction in services or both. However, it is not just these new rate increases that have created this burden on budgets and taxpayer. It is the State's reduction and then suspension of its contribution to the NH Retirement System over the last dozen years that has downshifted to cities and towns approximately \$729.5 million in employer retirement contributions from 2010 through 2021. This is just another example of the State's pattern of downshifting significant costs previously paid by the State onto local communities. This downshifting must stop.

It is time for the State to demonstrate a commitment to its taxpayers by providing some limited relief to the overburdened property tax by voting HB 274 Ought to Pass. For the reasons set forth above, on behalf of the City of Portsmouth, I urge the House Executive Departments and Administration Committee to vote HB 274 Ought to Pass.

Sincerely,

Rick Becksted, Mayor of the City of Portsmouth
On behalf of the Portsmouth City Council

c: Legislative Subcommittee
Karen Conard, City Manager
Portsmouth Legislative Delegates

TO HOUSE EXECUTIVE DEPARTMENTS AND ADMINISTRATION COMMITTEE,

My name is R. DENNIS CORRIGAN and I am testifying as a member of the public opposed to HB274.

I am a retired pension actuary and worked in an insurance company where I had responsibility for the Quotations Section and Research Section in its Group Actuarial Department dealing with Group Pensions. Later I worked in an actuarial consulting firm as a Group pension consultant to twenty-five clients with responsibility for installation, amendment and statutory valuation of pension plans.

I am a FELLOW, SOCIETY OF ACTUARIES. RETIRED and MEMBER, AMERICAN ACADEMY OF ACTUARIES, RETIRED.

I served on the NEW HAMPSHIRE DECENNIAL RETIREMENT COMMISSION as a Public Expert Member, in 2017, having been appointed by the NH Governor to this group that studied the NH Retirement System and recommended legislative changes.

I oppose House Bill 274 because in my professional opinion there are important public policy reasons that pension plan sponsors should not be subsidized by outside entities. If HB274 were implemented as drafted, the economic cost of pensions for employees of the town of Pittsfield would be partially borne by taxpayers of the city of Concord via subsidy in the NH state budget and vice versa. Responsibility for sound decisions on changes to the pension plans of towns and cities will be attenuated and diluted. The incentives to maintain appropriate benefit levels will be reduced; the incentives to boost benefits to unreasonable levels will be augmented.

At first no change in total NH-wide system costs will occur but over time local politicians will feel pressure to increase pension benefits in their towns because their taxpayers will pay less than the entirety of the costs and their taxpayers are suffering from paying part of the increase in costs enacted in other towns.

Additionally, in future it will be much harder for the state legislature to resist calls to increase the share borne by the state from 5% to a higher percentage than it is to resist now calls to increase it from 0% to 5%.

Thank you for considering my testimony.



THE CITY OF NASHUA

"The Gate City"

Financial Services Division

Office of the Chief Financial Officer

January 28, 2021

The Honorable Carol McGuire, Chairman
House Executive Departments and Administration Committee
Legislative office Building Room 306
Concord, NH 03301

RE: HB 274-FN-L, relative to payment by the state of a portion of retirement system contributions of political subdivision employers.

Dear Chairman McGuire and Committee Members:

For the record, I am John L. Griffin, Chief Financial Officer for the City of Nashua. The purpose of this communication is to provide information in support of HB274-FN.

The Board of Trustees of the New Hampshire Retirement System voted in June 2020 to reduce the retirement system's investment assumption, lowering the assumed rate of return from 7.25% to 6.75%. Subsequent to this action, new Employer Rates for FY2022 and FY2023 were calculated. Applying the increased employer rates to the estimated NHRS pensionable payroll for the City of Nashua in FY2022 results in an increase of approximately \$4.4 million. This \$4.4 million will increase the annual payments made by the City to NHRS to \$29.3 million during FY2022.

This impact is significant for the City of Nashua - for every \$2 million dollars that is added to the City's General Fund Operating Budget a 1% increase is added to the tax rate. Therefore, the \$4.4 million increase noted above will raise the tax rate approximately 2% for this single cost item.

The impact of adopting HB274 which has the State contributing 5% of the employer rates will reduce the City's NHRS employer pension costs by approximately \$1.2 million. For additional information, a 15% State contribution will reduce the City's pension costs by approximately \$3.7 million.

Respectfully submitted,

John L. Griffin
Chief Financial Officer



THE CITY OF NASHUA

"The Gate City"

Financial Services Division

Office of the Chief Financial Officer

January 28, 2021

The Honorable Carol McGuire, Chairman
House Executive Departments and Administration Committee
Legislative office Building Room 306
Concord, NH 03301

RE: HB 274-FN-L, relative to payment by the state of a portion of retirement system contributions of political subdivision employers.

Dear Chairman McGuire and Committee Members:

For the record, I am John L. Griffin, Chief Financial Officer for the City of Nashua. The purpose of this communication is to provide information in support of HB274-FN.

The Board of Trustees of the New Hampshire Retirement System voted in June 2020 to reduce the retirement system's investment assumption, lowering the assumed rate of return from 7.25% to 6.75%. Subsequent to this action, new Employer Rates for FY2022 and FY2023 were calculated. Applying the increased employer rates to the estimated NHRS pensionable payroll for the City of Nashua in FY2022 results in an increase of approximately \$4.4 million. This \$4.4 million will increase the annual payments made by the City to NHRS to \$29.3 million during FY2022.

This impact is significant for the City of Nashua - for every \$2 million dollars that is added to the City's General Fund Operating Budget a 1% increase is added to the tax rate. Therefore, the \$4.4 million increase noted above will raise the tax rate approximately 2% for this single cost item.

The impact of adopting HB274 which has the State contributing 5% of the employer rates will reduce the City's NHRS employer pension costs by approximately \$1.2 million. For additional information, a 15% State contribution will reduce the City's pension costs by approximately \$3.7 million.

Respectfully submitted,

John L. Griffin
Chief Financial Officer



January 27, 2021

The Honorable Carol McGuire, Chairman
House Executive Departments and Administration Committee
Legislative office Building Room 306
Concord, NH 03301

RE: HB 274-FN, relative to payment by the state of a portion of retirement system contributions of political subdivision employers.

Dear Chairman McGuire and Committee Members:

For the record I am Becky Benvenuti, Government Finance Advisor of the New Hampshire Municipal Association here to testify in support of **HB 274**. Restoring the state's share of employer costs for police, teachers, and firefighters has been a long-standing policy of NHMA.

- While most political subdivisions in NH also participate in the retirement system for their employee members, participation is mandatory under statute for Police, Fire, and Teacher members.
- The state's contribution, originally 40% in 1967 before being reduced to 35% in 1977, was also mandatory.
- The legislation amending the statute in 2011 to eliminate, completely, the state's 35% share for police, fire, and teacher employer costs has had one of the largest fiscal impacts upon municipalities in decades. In just the 8-year period from 2013-2020, the elimination of the state share amounted to an increase in the employer contributions required to be paid by political subdivisions of over \$729 million.
- The retirement system's current \$6 billion unfunded liability, which was amortized over a 30-year period ending in 2039, is required to be paid through the employer contributions. Up until 2013, the state shared with political subdivisions, the obligation to fully pay this long-standing liability.
- The elimination of the state's share of the employer costs has downshifted this state-level financial responsibility to the local taxpayers whose municipal, county, and local school property tax rates have all increased over the past 8 years in order to raise the property tax revenue

N E W H A M P S H I R E M U N I C I P A L A S S O C I A T I O N

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Honorable Carol McGuire, Chairman
January 27, 2021
Page 2 of 2

necessary to fund the additional \$729 million in municipal, school district, and county employer costs which are mandatory for police, firefighters, and teachers.

- Although a 5% contribution which is estimated to be \$17.66 million would restore significantly less than the state's original 35% share, estimated to be \$123.62 million, this bill would provide immediate and needed relief to political subdivisions and help offset the major rate increase which becomes effective July 1.
- We respectfully ask that you vote in favor of HB 274.

Respectfully submitted,

Becky I. Benvenuti
NHMA Government Finance Advisor

Representative
Date
Page 2 of 2

NHRS Bill Brief: HB 274-FN (as introduced)

Prepared for the House ED&A Committee

Summary: “AN ACT relative to payment by the state of a portion of retirement system contributions of political subdivision employers.”

Analysis: “This bill provides that the state shall pay 5 percent of contributions of retirement system employers other than the state for group I teachers and group II members.”

Sponsors: Rep. O'Brien, Hills. 36; Rep. Cushing, Rock. 21; Sen. Rosenwald, Dist 13

Financial Considerations

This bill requires the state to pay 5% of political subdivision employer pension contributions on behalf of teachers, police officers and firefighters.

Gabriel, Roeder, Smith & Company (GRS), the New Hampshire Retirement System's independent actuary, estimates that political subdivision employer contribution costs on behalf of teachers, police officers and firefighters would be reduced by \$17.66 million in fiscal year 2022, \$18.09 million in fiscal year 2023, and \$18.53 million in fiscal year 2024. Costs to the state would increase by those amounts over the same period. For additional information, see the fiscal note attached to the bill.

This bill does not impact the NHRS unfunded actuarial accrued liability (UAAL) because it does not change the total amount of employer contributions due to the retirement system.

Background

When RSA 100-A was enacted in 1967, RSA 100-A:16 made the state responsible for 40 percent of the employer contribution for teachers employed by political subdivisions. (This 40 percent state contribution existed prior to 1967 in the predecessor Teachers' Retirement System.) The statute was amended in 1977, requiring the state to pay 35 percent of the employer contributions for Teacher, Police, and Fire members employed by political subdivisions.

RSA 100-A:16 was amended in 2009 to reduce the state's share to 30 percent in Fiscal Year 2010 and 25 percent in Fiscal Year 2011. The 2009 amendment also restored the state contribution to 35 percent in Fiscal Year 2012, however, the statute was amended again in 2011 (House Bill 2; Chapter 224, Laws of 2011) to eliminate the state's percentage share of employer contributions altogether. The 2011 amendment also included a one-time appropriation of \$3.5 million in an effort to offset political subdivision employer contributions in Fiscal Year 2012.

Several employers challenged the reduction in state contributions in court asserting that the change constituted an unfunded mandate.. The New Hampshire Supreme Court in 2012 upheld the statutory changes to RSA 100-A:16 enacted in 2009. (See *City of Concord v State of NH*)

Other Considerations

The actuary assumed that the Medical Subsidy benefit portion of the employer contribution rate under RSA 100-A:52, 52-a, and 52-b was not included in the state's 5% contribution.

#

Note: The content provided above is for informational purposes; NHRS neither supports nor opposes this legislation.

Amendment to HB 274-FN-LOCAL

1 Amend the bill by replacing sections 1 and 2 with the following:

2

3 1 Short Title; Purpose.

4 I. This act may be known as the "Property Tax Relief Act of 2021."

5 II. This act restores the state's contribution of a portion of the retirement costs of
6 firefighters and local police. Its purpose is to help ease the local property tax burden, provide
7 property tax relief to the cities and towns, and enhance public safety.

8 2 Retirement System; Employer Contributions; Group II; State Share of Contributions. Amend
9 RSA 100-A:16, II(b) to read as follows:

10 (b) The contributions of each employer for benefits under the retirement system on
11 account of group II members shall consist of a percentage of the earnable compensation of its
12 members to be known as the "normal contribution," and an additional amount to be known as the
13 "accrued liability contribution;" provided that beginning with state fiscal year [2013] **2022** and for
14 each state fiscal year thereafter, any employer [~~shall pay the full amount of such total contributions~~]
15 ***other than the state, shall pay 95 percent of such total contributions, and 5 percent thereof***
16 ***shall be paid by the state; and provided further that, in case of group II members employed***
17 ***by the state, the state shall pay both normal and accrued liability contributions.*** The rate
18 percent of such normal contribution, including contributions on behalf of group II members whose
19 group II creditable service is in excess of 40 years, in each instance shall be fixed on the basis of the
20 liabilities of the system with respect to the particular members of the various member classifications
21 as shown by actuarial valuations, except as provided in subparagraph (i).

2021-0295h

AMENDED ANALYSIS

This bill provides that the state shall pay 5 percent of contributions of retirement system employers other than the state for group II fire and police members.

UNAPPROVED

Bill as
Introduced

HB 274-FN-LOCAL - AS INTRODUCED

2021 SESSION

21-0159

10/04

HOUSE BILL ***274-FN-LOCAL***

AN ACT relative to payment by the state of a portion of retirement system contributions of political subdivision employers.

SPONSORS: Rep. O'Brien, Hills. 36; Rep. Cushing, Rock. 21; Sen. Rosenwald, Dist 13

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill provides that the state shall pay 5 percent of contributions of retirement system employers other than the state for group I teachers and group II members.

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 Twenty One

AN ACT relative to payment by the state of a portion of retirement system contributions of political subdivision employers.

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

1 1 Short Title; Purpose.

2 I. This act may be known as the "Property Tax Relief Act of 2021."

3 II. This act restores the state's contribution of a portion of the retirement costs of teachers,
4 firefighters, and local police. Its purpose is to help ease the local property tax burden, provide
5 property tax relief to the cities and towns, and enhance public education and public safety.

6 2 Retirement System; Employer Contributions; State Share of Contributions. Amend RSA 100-
7 A:16, II(b) and (c) to read as follows:

8 (b) The contributions of each employer for benefits under the retirement system on
9 account of group II members shall consist of a percentage of the earnable compensation of its
10 members to be known as the "normal contribution," and an additional amount to be known as the
11 "accrued liability contribution;" provided that beginning with state fiscal year [2013] **2022** and for
12 each state fiscal year thereafter, any employer [~~shall pay the full amount of such total contributions~~]
13 ***other than the state, shall pay 95 percent of such total contributions, and 5 percent thereof***
14 ***shall be paid by the state; and provided further that, in case of group II members employed***
15 ***by the state, the state shall pay both normal and accrued liability contributions.*** The rate
16 percent of such normal contribution, including contributions on behalf of group II members whose
17 group II creditable service is in excess of 40 years, in each instance shall be fixed on the basis of the
18 liabilities of the system with respect to the particular members of the various member classifications
19 as shown by actuarial valuations, except as provided in subparagraph (i).

20 (c) The contributions of each employer for benefits under the retirement system on
21 account of group I members shall consist of a percentage of the earnable compensation of its
22 members to be known as the "normal contribution," and an additional amount to be known as the
23 "accrued liability contribution;" provided that beginning with state fiscal year [2013] **2022** and for
24 each state fiscal year thereafter, ***in the case of teachers,*** any employer [~~shall pay the full amount of~~
25 ~~such total contributions~~] ***other than the state, shall pay 95 percent of such total contributions,***
26 ***and 5 percent thereof shall be paid by the state; and provided further that, in case of***
27 ***teacher members employed by the state, the state shall pay both normal and accrued***
28 ***liability contributions.*** The rate percent of such normal contribution in each instance shall be
29 fixed on the basis of the liabilities of the system with respect to the particular members of the

HB 274-FN-LOCAL - AS INTRODUCED

- Page 2 -

1 various member classifications as shown by actuarial valuation, except as provided in subparagraph
2 (i).

3 3 Repeal. RSA 100-A:16, II(c-1) relative to employer contributions for fiscal year 2012, is
4 repealed.

5 4 Effective Date. This act shall take effect July 1, 2021.

Fiscal Note

**HB 274-FN-LOCAL- FISCAL NOTE
AS INTRODUCED**

AN ACT relative to payment by the state of a portion of retirement system contributions of political subdivision employers.

FISCAL IMPACT: State County Local None

STATE:	Estimated Increase / (Decrease)			
	FY 2021	FY 2022	FY 2023	FY 2024
Appropriation	\$0	\$0	\$0	\$0
Revenue	\$0	\$0	\$0	\$0
Expenditures	\$0	\$17.66 million	\$18.09 million	\$18.53 million
Funding Source:	<input checked="" type="checkbox"/> General	<input type="checkbox"/> Education	<input type="checkbox"/> Highway	<input type="checkbox"/> Other

**POLITICAL
SUBDIVISIONS:**

Revenue	\$0	\$0	\$0	\$0
Expenditures	\$0	(\$17.66 million)	(\$18.09 million)	(\$18.53 million)

*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 requires the State to pay 5 percent of the normal and accrued liability contributions of political subdivision retirement system employers for group I teachers and group II (police and fire) members beginning in FY 2022. The remaining 95 percent will be paid by the political subdivision employers that pay 100 percent of such contributions under current law. The proposed change affects the pension contribution rate, but not the medical subsidy contribution rate. The bill does not impact the NHRS unfunded actuarial liability (UAAL) or funded ratio because it does not change the total amount of employer contributions due to the retirement system, only the funding source. The New Hampshire Retirement System's (NHRS) contracted actuary conducted a supplemental actuarial valuation to estimate the impact of the bill. As detailed in the table below, state General Fund expenditures will increase and county and local expenditures will decrease. The actuary used projected payroll under the valuation assumptions and the adopted employer contribution rates for the 2022-2023 biennium for all impacted years (FY 2022-2024). Actual dollar amounts will be determined based on the June 30, 2021 actuarial valuation and may differ. NHRS is unable to break out the costs attributable to political subdivisions into the county and local shares.

Net Impact on Contributions in \$ Millions Increase/(Decrease)				
	County & Local Employer Contribution			State
	Group I	Group II		
	Teachers	Police	Fire	
FY 2021	0	0	0	0
FY 2022	(11.82)	(3.79)	(2.05)	17.66
FY 2023	(12.09)	(3.89)	(2.11)	18.09
FY 2024	(12.36)	(4.00)	(2.17)	18.53

Note: The estimates in the table above are based on calculations that do not include the medical benefit subsidy under RSA 100-A:52, 52-a, and 52-b because this bill does not impact said sections.

AGENCIES CONTACTED:

New Hampshire Retirement System