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STATE OF NEW HAMPSHIRE

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Legislative

SENATE CALENDAR ADDENDUM

REPORT AND AMENDMENT

**THE SENATE WILL MEET IN SESSION ON
THURSDAY, MAY 17, 2007 RESCHEDULED TO 1:30 P.M.**

REPORT

EXECUTIVE DEPARTMENTS AND ADMINISTRATION

HB 653, (New Title) relative to the determination of benefits, funding, and administration of the New Hampshire retirement system.

Ought to pass with amendment, Vote 5-0

Senator Burling for the committee.

AMENDMENT

Senate Executive Departments and Administration

May 14, 2007

2007-1631s

10/05

Amendment to HB 653-FN

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

1 Gender Neutral; Definition; Average Final Compensation. Amend RSA 100-A:1, XVIII to read as follows:

XVIII. "Average final compensation" shall mean the average annual earnable compensation of a member during his *or her* highest 3 years of creditable service, or during all of the years in his *or her* creditable service if less than 3 years.

2 New Section; Maximum Benefit Amount. Amend RSA 100-A by inserting after section 6 the following new section:

100-A:6-a Maximum Retirement Benefit. Notwithstanding any other provision of this chapter to the contrary, any member's initial calculation of the retirement benefit granted under the provisions of RSA 100-A:5 or RSA 100-A:6 shall not exceed 100 percent of the member's highest year of earnable compensation. This provision shall not limit the application of supplemental allowances under RSA 100-A: 41-a.

3 Board of Trustees; Local Government Member Added. Amend RSA 100-A:14, I to read as follows:

I. The administration of this system is vested in a board of ~~[13]~~ **14** trustees. The state treasurer shall be an ex officio voting member of the board. The governor and council shall appoint 2 trustees, to be known as non-member trustees, who shall be qualified persons with business experience and not be members of the system, and who shall serve for a term of 2 years and until their successors are appointed and qualified, except that the original appointment of one of the non-member trustees shall be for a term of one year. The remaining ~~[10]~~ **11** members of the board shall consist of 2 employees, 2 teachers, 2 permanent policemen, 2 permanent firemen, one member of the senate who ~~[serves on the insurance committee and who]~~ shall be appointed annually by the senate president, ~~[and]~~ one member of the house of representatives who serves on the executive departments and administration committee and who shall be appointed annually by the speaker of the house, **and one person representing management in local government**. Whenever a vacancy occurs, the senate president or the speaker of the house shall fill the vacancy in the same manner by appointing a senate or a house member who shall serve for the unexpired term. The New Hampshire state employees' association, the New Hampshire education association, the New Hampshire police association, ~~[and]~~ the New Hampshire state permanent firemen's association, **and the New Hampshire Local Government Center** shall each annually nominate from their members a panel of 5 persons, all of whom **except for the panel of the Local Government Center** shall be active members of the retirement system, or one of the 4 predecessor systems, no later than May 31 of each year, and the panels so named shall be filed with the secretary of state no later than June 10 of each year. From each of the above named panels the governor and council shall ~~[originally]~~ appoint ~~[2 persons, and thereafter]~~ one **person** annually to the board, **except for the panel of the Local Government Center, which shall have one person appointed every 2 years**. Members appointed to the board in the manner aforesaid shall serve for a term of 2 years[, except that the original appointments of one of the persons from each panel shall be for a term of one year].

Each member so appointed shall hold office until his or her successor shall be appointed and qualified. Whenever a vacancy occurs, the governor and council shall fill the vacancy by appointing a member who shall serve for the unexpired term from the same panel from which the former member was appointed. The governor shall designate one of the non-member trustees to serve as chairman of said board of trustees.

4 Board of Trustees; Quorum. Amend RSA 100-A:14, IV to read as follows:

IV. Each trustee shall be entitled to one vote in the board of trustees. ~~[Six]~~ **Seven** trustees shall constitute a quorum for the transaction of any business. ~~[Six]~~ **Seven** votes shall be necessary for any resolution or action by the board at any meeting.

5 Method of Financing. Amend the introductory paragraph of RSA 100-A:16 to read as follows:

100-A:16 Method of Financing. All of the assets of the retirement system shall be credited, according to the purpose for which they are held, between 2 funds, namely, the member annuity savings fund and the state annuity accumulation fund. Each of the funds shall be subdivided on account of the various member classifications. In making the determinations required under this section for financing the retirement system, the board of trustees shall use the ~~[open group aggregate]~~ **entry age normal** funding methodology. The board of trustees shall direct the system's actuary to prepare biennial valuations of the system's assets and liabilities commencing with the valuation prepared as of June 30, ~~[1991]~~ **2007**. Such biennial valuation shall be the ~~[sole]~~ basis for determining the annual contribution requirements of the system until the next following biennial valuation.

6 Gender Neutral. Amend RSA 100-A:16, I(d) to read as follows:

(d) The accumulated contributions of a member withdrawn by ~~[him]~~ **the member**, or paid to his **or her** estate or ~~[to his or her]~~ designated beneficiary in event of his **or her** death in service, shall be paid from the member annuity savings fund. Upon the retirement of a member, his **or her** accumulated contributions shall be transferred from the member annuity savings fund to the state annuity accumulation fund.

7 Method of Funding; Unfunded Accrued Liability. Amend RSA 100-A:16, II(e) to read as follows:

(e) Immediately following the actuarial valuation prepared as of June 30~~[, 1968]~~ **of each fiscal year**, the board shall have an actuary determine the amount of the unfunded accrued liability for each member classification as the amount of the total liabilities of the state annuity accumulation fund on account of such classification which is not dischargeable by the total of the funds in hand to the credit of the state annuity accumulation fund on account of such classification, and the aforesaid normal contributions to be made on account of the members in such classification during the remainder of their active service. The amount so determined with respect to each member classification shall be known as the "unfunded accrued liability" with respect to such classification. On the basis of each such unfunded accrued liability, the board shall have an actuary determine the level annual contribution required to discharge such amount over a period of ~~[20 years from June 30, 1968]~~ **30 years or the maximum period allowed by standards adopted by the Government Accounting Standards Board, whichever is less**.

8 Method of Funding; Special Account; Normal Contribution Rate. Amend RSA 100-A:16, II(h) and (i) to read as follows:

(h) There shall be a special account for additional benefits held by the board of trustees. Beginning July 1, 2003, the special account shall be subdivided into components representing the 4 retirement system member classifications, as defined in RSA 100-A:1, with each component subdivided proportionally between employees of the state and employees of the political subdivisions of the state. The balance of the special account attributed to each component as of June 30, 2003 shall be subdivided between state and political subdivision classifications based upon the actuarial liabilities of the member and retiree groups. Beginning with the fiscal year ending June 30, 1990, the amount credited annually to the special account shall be determined as follows:

(1) Each component of the special account shall first be credited with all the earnings of that component for the fiscal year.

(2) **If the actuary determines that the funded ratio of the consolidated retirement system as of June 30 of any given year is equal to or greater than 85 percent, then** all of the earnings of the remaining assets of the retirement system which are in excess of ~~[the assumed rate of return plus 1/2 of one]~~ **10 and one-half percent** ~~[added to such rate]~~ shall be allocated to the 4 member classifications. The assumed rate of return shall be determined by the board of trustees.

(3) Any funds held in special reserve as of June 30, 1996, shall be transferred to the respective component of the special account according to the following schedule:

(i) One-half of the funds held in special reserve as of June 30, 1996.

(ii) One-half of the remaining funds as of June 30, 1997, plus earnings from July 1, 1996 to June 30, 1997.

(iii) All remaining funds as of June 30, 1998, plus earnings from July 1, 1997, to June 30, 1998.

(4) [Repealed.]

(5) None of the assets held in the special account shall be used in the actuarial determination of the rate percent of normal contribution as set forth in subparagraphs (b)[,] **and** (c) [~~and (d)~~].

(6) [Repealed.]

(7) The actuarial cost of all legislation enacted during each fiscal year and calling for funding from the special account shall be withdrawn from the respective components of the special account, as of June 30 of each year, after funds are credited to the special account as provided in this subparagraph.

The special account shall be used only to fund or partially fund additional benefits as follows: first, to provide supplemental allowances, or COLAs, pursuant to RSA 100-A:41-a and, second, ~~[to the extent that funds may be available in the special account in excess of a 3-year 5 percent COLA reserve,]~~ to provide additional benefits **in accordance with RSA 100-A:50 through RSA 100-A:55** to retired members and beneficiaries of the retirement system with the specific approval of the appropriate policy committees and approval of the general court. ~~[Nothing in this section shall preclude the appropriate legislative policy committees and the general court from adopting legislation that provides additional benefits in the event that the special account does not contain a 3-year, 5 percent COLA reserve.]~~

(i) If the actuarially determined normal contribution rate as set forth in subparagraphs (b)[,] **and** (c)[, ~~and (d)~~] on account of any of the various member classifications shall be negative in any fiscal year, then the excess amount resulting from the difference between zero and the negative actuarially determined normal contribution rate shall be used to reduce the employee contribution rate for that member classification in that fiscal year.

9 Supplemental Allowance for 2007.

I. Notwithstanding the provisions of RSA 100-A:41-a, any retired member of the New Hampshire retirement system or any of its predecessor systems, who has been retired for at least 12 months, or any beneficiary of such member who is receiving an allowance, shall receive a supplemental allowance, or COLA, for 2007 on the retired member's latest anniversary date. The amount of such supplemental allowance for 2007 shall be 2 ½ percent.

II. The supplemental allowance granted by this section shall become a permanent addition to the beneficiary's base retirement allowance, and shall be included in the monthly annuity paid to the retired member, or to the member's beneficiary if the member is deceased and the beneficiary is receiving an allowance under RSA 100-A:8, 100-A:9, 100-A:12, 100-A:13, 100-A:19, the provisions of former RSA 100-A:16, I(c)(2) relative to additional contributions, or similar provisions of predecessor systems.

III. Terminal funding of the supplemental allowance shall be from the special account established under RSA 100-A:16, II(h).

10 Repeal. The following are repealed:

I. RSA 100-A:4, VII, relative to purchase of nonqualified service credit.

II. RSA 100-A:16, II(d) relative to the procedure for determining contribution rates.

11 Effective Date. This act shall take effect June 30, 2007.

2007-1631s

AMENDED ANALYSIS

This bill:

I. Adds a local government member to the board of trustees.

II. Changes the procedure for calculating and financing benefits.

III. Repeals the authority for nonqualified service credit.

IV. Grants a 2 ½ percent COLA for 2007.