

HB 548-FN - AS INTRODUCED

2017 SESSION

17-0650

10/05

HOUSE BILL

548-FN

AN ACT increasing the age at which a pension begins for non-vested and newly-hired group I members of the retirement system.

SPONSORS: Rep. Kurk, Hills. 2; Rep. L. Turcotte, Straf. 4; Rep. Ohm, Hills. 36; Rep. Azarian, Rock. 8; Sen. Giuda, Dist 2

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill changes the normal retirement age for non-vested and newly hired employees of retirement system employers to be the normal retirement age under the federal Social Security Act.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT increasing the age at which a pension begins for non-vested and newly-hired group I members of the retirement system.

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

1 1 Retirement System; Definitions; Normal Retirement Age. Amend RSA 100-A:1, XXXVII(a) to
2 read as follows:

3 (a) For a group I member, age 60 if the member commenced service before July 1, 2011;[
4 otherwise,] age 65 ***if the member commenced service on or after July 1, 2011 and was vested***
5 ***before July 1, 2017; otherwise, at the member's normal "retirement age" as that term is***
6 ***defined in the federal Social Security Act, 42 U.S.C. section 416(l).***

7 2 Service Retirement; Normal Retirement Age; Group I. Amend RSA 100-A:5, I(a) and (b) to
8 read as follows:

9 (a) Any group I member may retire on a service retirement allowance upon written
10 application to the board of trustees setting forth at what time, not less than 30 days nor more than
11 90 days subsequent to the filing thereof, the member desires to be retired, provided the member at
12 the time so specified for retirement has attained age 60 and notwithstanding that during such
13 period of notification the member may have separated from service. For the purposes of this
14 section, a teacher member of group I who remains in service throughout a school year shall be
15 deemed to be in service during July and August at the end of such school year. Provided, however,
16 that a group I member who commenced service on or after July 1, 2011 shall not receive a service
17 retirement allowance until attaining the ***normal retirement*** age [~~of 65~~]; but may receive a reduced
18 allowance after age 60 if the member has at least 30 years of creditable service where the allowance
19 shall be reduced, for each month by which the date on which benefits commence precedes the month
20 after which the member attains [~~65 years of~~] ***his or her normal retirement*** age, by 1/4 of one
21 percent.

22 (b) Upon service retirement, an employee member or teacher member of group I shall
23 receive a service retirement allowance which shall consist of a member annuity which shall be the
24 actuarial equivalent of the member's accumulated contributions at the time of retirement, and a
25 state annuity. Prior to the member's attainment of age 65, the state annuity, together with the
26 member annuity, shall be equal to 1/60 of the member's average final compensation multiplied by
27 the number of years of creditable service. After attainment of age 65, the state annuity, together
28 with the member annuity, shall be equal to 1/66 of the member's average final compensation
29 multiplied by the number of years of creditable service. Provided, however, that a group I member
30 who commenced service on or after July 1, 2011 shall not receive a service retirement allowance

until attaining the **normal retirement** age [~~of 65~~]; but may receive a reduced allowance after age 60 if the member has at least 30 years of creditable service where the allowance shall be reduced, for each month by which the date on which benefits commence precedes the month after which the member attains [~~65 years of~~] **his or her normal retirement** age, by 1/4 of one percent.

3 Vested Deferred Retirement; Normal Retirement Age. Amend RSA 100-A:10, I(a) and (b) to read as follows:

100-A:10 Vested Deferred Retirement Benefit.

I. Group I Members.

(a) A group I member who has completed 10 years of creditable service and who, for reasons other than retirement or death, ceases to be an employee or teacher shall be deemed in vested status and upon meeting the eligibility requirements of subparagraph (b) may collect a vested deferred retirement allowance. In lieu of a vested deferred retirement allowance, the member may make application on a form prescribed by the board of trustees and receive a return of the member's accumulated contributions under RSA 100-A:11. Provided, however, that a group I member who commenced service on or after July 1, 2011 shall not receive a vested deferred retirement allowance until attaining the **normal retirement** age [~~of 65~~]; but may receive a reduced allowance after age 60 if the member has at least 30 years of creditable service where the allowance shall be reduced, for each month by which the date on which benefits commence precedes the month after which the member attains [~~65 years of~~] **his or her normal retirement** age, by 1/4 of one percent.

(b) At any time after attainment of age 50, a group I member who meets the requirement of subparagraph (a) may make application on a form prescribed by the board of trustees and receive a vested deferred retirement allowance which shall consist of a member annuity which shall be the actuarial equivalent of the member's accumulated contributions on the date of retirement and a state annuity which, together with the member annuity, shall be equal to either the service retirement allowance payable under RSA 100-A:5, I(a) and I(b) or the reduced early service retirement allowance payable under RSA 100-A:5, I(c), based on the member's age when the vested deferred retirement allowance begins and on the member's average final compensation and creditable service at the time service is terminated. Provided, however, that a group I member who commenced service on or after July 1, 2011 shall not receive a vested deferred retirement allowance until attaining the **normal retirement** age [~~of 65~~]; but may receive a reduced allowance after age 60 if the member has at least 30 years of creditable service where the allowance shall be reduced, for each month by which the date on which benefits commence precedes the month after which the member attains [~~65 years of~~] **his or her normal retirement** age, by 1/4 of one percent.

4 Effective Date. This act shall take effect June 30, 2017.

**HB 548-FN- FISCAL NOTE
AS INTRODUCED**

AN ACT increasing the age at which a pension begins for non-vested and newly-hired group I members of the retirement system.

FISCAL IMPACT: ☒ State ☒ County ☒ Local ☐ None

STATE:	Estimated Increase / (Decrease)			
	FY 2018	FY 2019	FY 2020	FY 2021
Appropriation	\$0	\$0	\$0	\$0
Revenue	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	(\$1,820,000)	(\$1,880,000)
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	\$0	\$0	(\$3,000,000)	(\$3,100,000)

*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 changes the normal retirement age for non-vested and newly-hired Group I employees of retirement system employers to be the normal retirement age under the federal Social Security Act. Group I service retirement eligibility is currently age 60 years and age 65 for members commencing service on or after July 1, 2011. Social Security full retirement age varies from 66 for those born between 1943 and 1954 and 67 for those born in 1960 or later. The vast majority of Group I active members hired since July 1, 2011 were born in 1960 or later. Assuming a Social Security retirement age of 67 for affected participants, an annual rate of return of 7.25 percent, wage inflation at 3.25 percent a year, and an amortization period of a closed 22 year period beginning in FY 2018, the New Hampshire Retirement System's actuary determined the following decreases:

State Estimated Employer Expenditure Increase/(Decrease)		
	FY 2020	FY 2021
Employees	(\$1,820,000)	(\$1,880,000)
State Total	(\$1,820,000)	(\$1,880,000)
Political Subdivisions Estimated Employer Expenditure Increase/(Decrease)		
	FY 2020	FY 2021
Employees	(\$2,150,000)	(\$2,220,000)

Teachers	(\$850,000)	(\$880,000)
Political Subdivisions Total	(\$3,000,000)	(\$3,100,000)

The System states the proposal would decrease Group I employer contributions slightly and would be reflected in the next rate setting valuation as of June 30, 2017, which determines employer contribution rates for the 2020-2021 biennium. Since the rates for the 2020-2021 biennium are unknown at this time, only the net impact of the proposal is shown. This bill would also increase the unfunded actuarial accrued liability. The unfunded actuarial accrued liability was \$5.0 billion at the close of FY 2015.

The System states it will need to make an estimated \$2,500 change to the Pension Gold reporting software.

AGENCIES CONTACTED:

New Hampshire Retirement System