

Bill as
Introduced

HB 514 - AS INTRODUCED

2009 SESSION

09-0795
05/03

HOUSE BILL **514**

AN ACT establishing a New Hampshire other post-employment benefits (OPEB) trust and enabling political subdivisions to create or participate in OPEB trusts.

SPONSORS: Rep. Butler, Carr 1

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill establishes the New Hampshire other post-employment benefits (OPEB) trust, an irrevocable trust to fund post-employment benefits other than pensions. The bill enables political subdivisions to create or participate in similar OPEB trusts.

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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT establishing a New Hampshire other post-employment benefits (OPEB) trust and enabling political subdivisions to create or participate in OPEB trusts.

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

1 1 Statement of Purpose.

2 I. The Governmental Accounting Standards Board (GASB) has issued Statements 43 and 45,
3 which set forth standards on accounting and reporting for post-employment benefits other than
4 pensions by governments;

5 II. The new standards will require the state and other political subdivisions to account for
6 such post-employment benefits on an actuarial basis during an employee's career rather than on a
7 pay-as-you-go basis during an employee's retirement;

8 III. The general court has determined that it would be advisable for the state to create an
9 irrevocable trust whereby the state may begin funding those benefits in advance to address and
10 ultimately offset the state's accrued liabilities for such benefits; and

11 IV. The general court has determined that it may also be advisable for political subdivisions
12 of the state to create similar irrevocable trusts whereby they may begin funding those benefits in
13 advance to address and ultimately offset their accrued liabilities for such benefits.

14 2 New Chapter; New Hampshire Other Post-Employment Benefits Trust. Amend RSA by
15 inserting after chapter 101-B the following new chapter:

16 CHAPTER 101-C

17 NEW HAMPSHIRE OTHER POST-EMPLOYMENT BENEFITS TRUST

18 101-C:1 New Hampshire OPEB Board and Trust Fund Established.

19 I. There is hereby established the New Hampshire other post-employment benefits (OPEB)
20 fund board.

21 (a) The board shall consist of 5 members:

22 (1) The state treasurer.

23 (2) The commissioner of the department of administrative services.

24 (3) One trustee appointed by the governor with the approval of the executive council.

25 (4) One house member appointed by the speaker of the house of representatives.

26 (5) One senate member appointed by the president of the senate.

27 (b) Members appointed pursuant to subparagraphs (a)(3)-(5) shall be appointed for a
28 term which ends on January 1 of each odd-numbered year. The members of the board shall serve as
29 the trustees of any trust created pursuant to this section.

1 II. The board, with the approval of governor and counsel, shall create a single-employer or
2 multiple employer trust fund which the state and, in the case of a multiple-employer trust,
3 participating political subdivisions may use, to pay post-employment benefits to employees or officers
4 after their termination of service. In this section, the term "post-employment benefits" means
5 benefits covered by Statement No. 45 of the Governmental Accounting Standards Board (GASB) and
6 the term "trust" means a trust qualified under GASB Statement No. 43 or an equivalent
7 arrangement.

8 III. The New Hampshire other post-employment benefits (OPEB) trust fund shall be an
9 independent trust fund, shall be segregated from all other funds of the state, and shall be invested
10 and administered solely in the interests of the active or former employees, and their dependents or
11 beneficiaries, entitled to post-employment benefits. Deposits to the OPEB trust fund and any
12 earnings on those deposits shall be irrevocable and shall be held in trust for the exclusive benefit of
13 retirees and their beneficiaries for post-employment benefits, except that funds from the trust may
14 be withdrawn for other purposes only when the employer's liability owed to former officers or
15 employees for post-employment benefits has been satisfied or otherwise eliminated pursuant to
16 subparagraph V(b). The OPEB trust fund shall be exempt from taxation and execution, attachment,
17 garnishment, or any other process. Neither the general court nor any public officer, employee, or
18 agency shall divert, use, or authorize the use of such trust funds for any purpose other than as
19 provided in law for post-employment benefits covered by the fund and administrative expenses.

20 IV. The board shall have the full power to invest, reinvest, and manage the assets of any
21 trust fund created pursuant to this section and no limitation on investment types, including those
22 contained in RSA 6:8 shall apply. The board shall maintain a separate accounting for the assets of
23 the trust fund by employer. The board shall invest the assets of the trust fund with the care, skill,
24 prudence, and diligence under the circumstances then prevailing that a prudent person acting in a
25 like capacity and familiar with such matters would use in the conduct of an enterprise of a like
26 character and with like aims. The board shall also diversify such investments so as to minimize the
27 risk of large losses unless under the circumstances it is clearly prudent not to do so. The board may
28 engage a trust administrator, investment consultants, or other qualified professionals to assist with
29 management and investment of the trust fund and may pay for these services out of the trust fund.

30 V. An employer may withdraw money from the trust fund created pursuant to this section only:

31 (a) As needed to pay post-employment benefits owed to former officers and employees; or

32 (b) When all post-employment benefits liability owed to former officers or employees of
33 the employing entity has been satisfied or otherwise defeased.

34 101-C:2 Authorization for Political Subdivisions to Establish OPEB Trusts.

35 I. The legislative body of a political subdivision that creates or has created an actuarial
36 liability to pay post-employment benefits to employees or officers after their termination of service
37 may establish one or more single-employer or multiple-employer trusts to pay those benefits or may

1 participate in a multi-employer trust established by another entity to pay those benefits. In this
2 section, the term "post-employment benefits" means benefits covered by Statement No. 45 of the
3 Governmental Accounting Standards Board (GASB) and the term "trust" means a trust qualified
4 under GASB Statement No. 43 or an equivalent arrangement.

5 II. Deposits to any fund under such a trust or equivalent arrangement and any earnings on
6 those deposits shall be irrevocable and shall be held in trust for the exclusive benefit of retirees and
7 their beneficiaries in accordance with the terms of the plans or programs providing post-employment
8 benefits, except that funds governed by the trust may be withdrawn for other purposes only when an
9 employer's liability owed to former officers or employees for post-employment benefits has been
10 satisfied or otherwise eliminated pursuant to subparagraph VI(b). The assets of any trust created
11 pursuant to this section or in which a political subdivision participates pursuant to this section shall
12 be exempt from taxation and execution, attachment, garnishment, or any other process. Neither the
13 general court nor any public officer, employee, or agency shall divert, use, or authorize the use of
14 such funds for any purpose other than as provided in law for post-employment benefits covered by
15 the trust and administrative expenses.

16 III. The trustees of any trust created pursuant to this section or of a multiple-employer trust
17 in which a political subdivision participates pursuant to this section shall have the full power to
18 invest, reinvest, and manage the assets of the trust. The trustees shall maintain a separate
19 accounting for the assets of the trust by employer. The trustees shall invest the assets of the trust
20 with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent
21 person acting in a like capacity and familiar with such matters would use in the conduct of an
22 enterprise of a like character and with like aims. The trustees shall also diversify such investments
23 so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to
24 do so. The board of trustees may engage a trust administrator, investment consultants, or other
25 qualified professionals to assist with management and investment of the funds of the trust and may
26 pay for these services out of the funds of the trust.

27 IV. Trusts created by a political subdivision pursuant to this section shall have a board of
28 trustees composed of at least 3 members who shall include the chief financial officer of the political
29 subdivision, the treasurer of the political subdivision, and at least one other person who shall be a
30 citizen of the state with proven integrity, business ability, and demonstrated experience in cash
31 management and in investments. If the political subdivision does not have a chief financial officer,
32 then that position may be filled by the chief administrative officer of the political subdivision, or by a
33 citizen who meets the qualifications set forth in this paragraph. If the political subdivision does not
34 have a treasurer that position may be filled by the chairman of the political subdivision's governing
35 body or by a citizen who meets the qualifications set forth in this paragraph. The citizen member
36 shall be appointed initially by the governing body of the political subdivision for a term of 2 years
37 and if more than one citizen is appointed to serve on any such board, then the governing body may

1 appoint those citizens for staggered terms of one and 2 years. Subsequent appointments shall be for
2 2-year terms or to fill the balance of any unexpired term. The board of trustees shall annually elect
3 one of its members as chairman and another as vice-chairman. The board shall meet at least 4 times
4 a year, and a majority of the members shall constitute a quorum.

5 V. If a political subdivision decides to participate in a multi-employer trust established by
6 another entity to pay post-employment benefits, except when using the New Hampshire OPEB trust
7 fund established in RSA 101-C:1, such trust shall have a board of trustees of no less than 3 members
8 who shall include the chief financial officer of a participating political subdivision, the treasurer of a
9 participating political subdivision, and at least one other additional person who shall be a citizen of
10 the state with proven integrity, business ability, and demonstrated experience in cash management
11 and in investments. If no participating political subdivision has a chief financial officer, then that
12 position may be filled by the chief administrative officer of a participating political subdivision or by
13 a citizen who meets the qualifications set forth in this paragraph. If no participating political
14 subdivision has a treasurer that position may be filled by the chairman of a participating political
15 subdivision's governing body or by a citizen who meets the qualifications set forth in this paragraph.

16 VI. A political subdivision may withdraw money from the funds of a trust created pursuant
17 to this section or from the funds of a multiple-employer trust in which it participates pursuant to this
18 section only:

19 (a) As needed to pay post-employment benefits owed to former officers and employees; or

20 (b) When all post-employment benefits liability owed to former officers or employees of
21 the employing entity has been satisfied or otherwise defeased.

22 2 Effective Date. This act shall take effect July 1, 2009.

Amendments

Amendment to HB 514

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

2

3 1 Statement of Purpose.

4 I. The Governmental Accounting Standards Board (GASB) has issued Statements 43 and 45,
5 which set forth standards on accounting and reporting for post-employment benefits other than
6 pensions by governments;

7 II. The new standards will require the state and other political subdivisions to account for
8 such post-employment benefits on an accrual basis during an employee's career rather than on a
9 pay-as-you-go basis during an employee's retirement; and

10 III. The general court has determined that it would be advisable to clearly authorize the
11 state and political subdivisions of the state to create one or more irrevocable trusts to facilitate
12 funding those benefits in advance to address and ultimately offset the accrued liabilities for such
13 benefits.

14 2 New Chapter; New Hampshire Other Post-Employment Benefits Trust. Amend RSA by
15 inserting after chapter 101-B the following new chapter:

16

CHAPTER 101-C

17

NEW HAMPSHIRE OTHER POST-EMPLOYMENT BENEFITS TRUST

18

101-C:1 New Hampshire OPEB Board Established; Authorization to Establish OPEB Trust.

19

I. There is hereby established the New Hampshire other post-employment benefits (OPEB)
20 fund board.

21

(a) The board shall consist of 5 members:

22

(1) The state treasurer.

23

(2) The commissioner of the department of administrative services.

24

(3) One individual appointed by the governor with the approval of the executive

25

council.

26

(4) One member of the house of representatives appointed by the speaker of the

27

house of representatives.

28

(5) One senate member appointed by the president of the senate.

29

(b) Members appointed pursuant to subparagraphs (a)(3)-(5) shall be appointed for a

30

term which ends on January 1 of each odd-numbered year. The members of the board shall serve as
31 the trustees of any trust created pursuant to this section.

32

II. In this chapter, 'OPEB trust' means any trust or equivalent arrangement as defined in

Amendment to HB 514

- Page 2 -

1 RSA 101-C:3.

2 III. The board, with the approval of governor and council, shall have the power to create one
3 or more OPEB trusts under the laws of this or any other state to receive funds and to pay or provide
4 for post-employment benefits for current and former employees of the state and participating
5 political subdivisions, if any, and their beneficiaries.

6 101-C:2 Authorization for Political Subdivisions to Establish OPEB Trusts.

7 I. The legislative body of a political subdivision shall have the power to create one or more
8 OPEB trusts under the laws of this or any other state to receive funds and to pay or provide for post-
9 employment benefits for current and former employees of the political subdivision and other
10 participating political subdivisions, if any, and their beneficiaries.

11 II. Any OPEB trust created by a political subdivision pursuant to this section for its own
12 purposes shall have a board of trustees composed of at least 3 members who shall include the chief
13 financial officer of the political subdivision, the treasurer of the political subdivision, and at least one
14 other person who shall be a citizen of the state with proven integrity, business ability, and
15 demonstrated experience in cash management and investment of funds. If the political subdivision
16 does not have a chief financial officer, then that position may be filled by the chief administrative
17 officer of the political subdivision, or by a citizen who meets the qualifications set forth in this
18 paragraph. If the political subdivision does not have a treasurer, then that position may be filled by
19 the chairman of the political subdivision's governing body or by a citizen who meets the
20 qualifications set forth in this paragraph, as determined by the political subdivision. The citizen
21 member shall be appointed initially by the governing body of the political subdivision for a term of 2
22 years' and if more than one citizen is appointed to serve on any such board, then the governing body
23 may appoint those citizens for staggered terms of one and 2 years. Subsequent appointments shall
24 be for 2-year terms or to fill the balance of any unexpired term. The board of trustees shall annually
25 elect one of its members as chairman and another as vice-chairman. The board shall meet at least 4
26 times a year, and a majority of the members shall constitute a quorum.

27 III. If the legislative body of a political subdivision decides to participate in a multi-
28 employer OPEB trust established by another entity to pay post-employment benefits, except when
29 using the New Hampshire OPEB trust fund established in RSA 101-C:1, such trust shall have a
30 board of trustees of no less than 5 members all of whom shall have proven integrity, business ability,
31 and demonstrated experience in cash management and investment of funds and a majority of the
32 trustees shall represent participating political subdivisions.

33 101-C:3 Characteristics of OPEB Trusts.

34 I. An OPEB trust shall be an independent trust fund for the exclusive benefit of retirees and
35 their beneficiaries for post-employment benefits, and shall be segregated from all other funds of the
36 state or the political subdivision. Funds deposited in any OPEB Trust and any earnings on those
37 deposits shall be irrevocable. OPEB trust fund shall be exempt from taxation and execution,

Amendment to HB 514

- Page 3 -

1 attachment, garnishment, or any other process. Neither the general court nor the state, the
2 legislative body of a political subdivision or the political subdivision itself, any public officer,
3 employee, agency, or political subdivision shall divert, use, or authorize the use of OPEB trust funds
4 for any purpose other than to pay or provide for post-employment benefits as provided in this
5 chapter and the administrative costs and expenses relating to trust. An OPEB trust may provide
6 that its assets may be distributed to the state or the participating political subdivisions, as the case
7 may be, only to the extent that the OPEB trust's obligations have been fulfilled or otherwise
8 provided for.

9 II. The power of the trustees of an OPEB trust to invest and reinvest the assets of an OPEB
10 trust and types of investments shall not be limited by RSA 6:8. Such trustees shall invest, reinvest,
11 and manage the assets of an OPEB trust with the care, skill, prudence, and diligence under the
12 circumstances then prevailing that a prudent person acting in a like capacity and familiar with such
13 matters would use in the conduct of an enterprise of a like character and with like aims. Such
14 trustees shall diversify such investments so as to minimize the risk of loss and to maximize the rate
15 of return unless under the circumstances it is clearly prudent not to do so. Such trustees may
16 engage a trust administrator, investment consultants, and other qualified professionals to assist
17 with the administration, management, and investment of the OPEB trust fund and may pay for
18 these services out of the OPEB trust fund. OPEB trustees shall discharge their duties with respect
19 to the OPEB trust solely in the interest of retirees and their beneficiaries and for the exclusive
20 purpose of providing post-employment benefits to retirees and their beneficiaries and paying
21 appropriate and reasonable expenses of administering the OPEB Trust.

22 III. OPEB trusts may establish or provide for the establishment of separate rights, powers
23 and duties with respect to the funds contributed by the state or political subdivisions and the
24 obligations of the OPEB trust with respect to the post-employment benefits to their current and
25 former employees or their beneficiaries.

26 IV. OPEB trusts shall be subject to the provisions of RSA 91-A.

27 V. OPEB trusts shall annually complete and make available, not later than 120 days after
28 the close of each fiscal year, a comprehensive annual financial report concerning the preceding fiscal
29 year in a manner consistent with generally accepted accounting principles. The comprehensive
30 annual financial report shall be audited annually in accordance with generally accepted
31 governmental auditing standards by a qualified independent auditor selected by the trustees.

32 VI. OPEB trusts may have additional terms and conditions that are not inconsistent with
33 the provisions of this chapter.

34 3 Effective Date. This act shall take effect July 1, 2009.

Speakers

Hearing Minutes

HOUSE COMMITTEE ON EXECUTIVE DEPARTMENTS AND ADMINISTRATION

PUBLIC HEARING ON HB 514

BILL TITLE: establishing a New Hampshire other post-employment benefits (OPEB) trust and enabling political subdivisions to create or participate in OPEB trusts.

DATE: February 5, 2009

LOB ROOM: 306 **Time Public Hearing Called to Order:** 2:00 PM

Time Adjourned: 2:45 PM

(please circle if present)

Committee Members: Reps. Irwin, Harding, Pilotte, P. McMahon, Judy, Schmidt, Beck, D. Sullivan, D. Petterson, Houde-Quimby, Flurey, Hawkins, R. Day, Reagan, K. Gould, S. Scamman, McGuire, C. Pratt, D. Ryder and Vita

Bill Sponsors: Rep. Butler, Carr 1

TESTIMONY

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

Rep. Butler, prime sponsor, introduced bill. He is former chair of Health Plan Commission for State Retirees. Supports bill.

- Interested in post employment benefits for state retirees
- Long term liabilities must now be identified actuarially (GASB 45) \$53.5 million – state contribution in Pay-go. \$1,650 billion – over 30 years unfunded liability
- Irrevocable trusts would create vehicle for funding liability (state & municipalities)

Catherine Provencher, State Treasurer. Supports bill.

- Rating agencies will react positively if state, cities and/or towns set up trusts to address these liabilities
- This affects only state employee retirees

*Daniel Lynch, Finance Director, Treasurer, City of Dover. Supports bill.

- Dover has a pay go system This would allow a OPEB trust
- OPEB trusts would result in better rating and discount rate for city
- City does not currently have the authority to do this
- Trust would be funded by budget line

James Howard, Concord Deputy City Manager, Supports bill.

- Concord would support this trust
- Concord has pay go to address this liability but trust would give them vehicle for meeting this liability.

HB 514

February 5, 2009

Page 2

*Monica Ciolfi, Administrator of Risks and Benefits of Dept. of Administrative Services.

- Supports bill
- Comprehensive Annual Finance Report e.g. how published with or without an OPEB trust
- State can set aside the funds without OPEB trust and therefore qualify for discount rates
- 2008 is first time state had to report those liabilities. (GASB 45 Standards) Government Accounting Standards Board

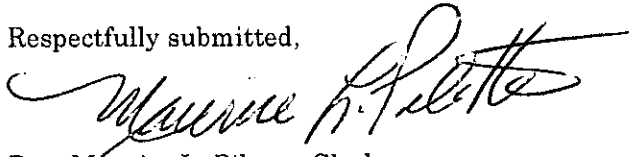
James Hatam, representing himself. Supports bill

- Works for firm which helps municipalities meet obligations made to employees
- Ability to have OPEB trust would be great advantage

Barbara Reid, lobbyist, representing NH Municipal Association. Supports bill.

- There is a phase-in for (1) state (2) larger cities (3) smaller municipalities and counties
- There is no GASB 45 requirement to fund but there is requirement to account for these liabilities
- Legislation is a must to make this option available - statutorily

Respectfully submitted,



Rep. Maurice L. Pilotte, Clerk

HOUSE COMMITTEE ON EXECUTIVE DEPARTMENTS AND ADMINISTRATION

PUBLIC HEARING ON HB 514

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Bill Sponsors: Rep. Butler, Carr 1

TESTIMONY

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

former chair of Health Plan Commission for state retirees.

* Rep Butler - Prime Sponsor -

- Interested in Post-employment benefits for state retirees
- long-term liabilities must now be identified actuarially (GASB) (GASB 45)

\$53.5 M - state contribution in pay-go.

\$1,650. B - over 30 years unfunded liability.

IRREVOCABLE Irrevocable Trusts would create vehicle for funding liability (State & Municipality) vehicle

Catherine Provencher - State Treasurer -

- Rating agencies will react positively if state, cities and/or towns set up trusts to address these liabilities.

- This affects only state employee retirees.

* Daniel Lynch - Finance Director Treasurer City Dover.

- Dover has established a pay-go system. This would allow a OPEB Trust.



Rynck -

- OPEB Trusts would result in better rating and Discount rate for City
- City does not currently have the authority to do this
- Trust would be funded by budget line

James Howard - Concord deputy city manager.

- Concord would support this trust.
- Concord has pay-go to address this liability but Trust would give them vehicle for meeting this liability.

* Monica Ciolfi - Administrator of Risks + Benefits of Dept of Admin Services

- Support

- Comprehensive Annual Finance Report
eg. how published w/ or w/o an OPEB Trust
- State can't get aside the funds w/o OPEB Trust + therefore qualify for ~~low~~ Discount Rates
- 2008 is first time State had to report these liabilities. (~~GAAP~~ Standards)
GASB 45 Govt Accounting Standards Board

James ~~Faxon~~ ^{Haton} - Self

- Support for this bill.
- Works for firm which helps municipalities meet obligations made to employees.
- Ability to have OPEB Trusts would be great advantage.

Barbara Reid - N.H. Municipal Association Lobbyist.

- There is a Phase-in for (1) State (2) larger cities (3) smaller municipalities + Counties
- There is no GASB ⁴⁵ requirement to fund but there is a requirement to account for these liabilities
- Legislation is a must to make this option available - statutory.

Testimony

Complete Document

Can Be Viewed

In Bill Folder

1

State of New Hampshire

*Actuarial Valuation and Review of Other Postemployment
Benefits (OPEB) as of June 30, 2008
In accordance with GASB Statements Number 43 and 45*

DRAFT

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January 21, 2009

*Monica A. Cioffi
Administrator of Risk and Benefits
Department of Administrative Services
25 Capitol Street
Concord, NH 03301*

Dear Monica:

We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as June 30, 2008 under GASB Statements Number 43 and 45. It establishes the liabilities of the postemployment welfare benefit plan in accordance with GASB Statements Number 43 and 45 for the current year and summarizes the actuarial data.

This report is based on information received from the State. The actuarial projections were based on the assumptions and methods described in Exhibit II and on the plan of benefits as summarized in Exhibit III.

We look forward to discussing this material with you at your convenience.

Sincerely,

THE SEGAL COMPANY

*By: _____
Andrew D. Sherman
Senior Vice President
7067617v3/05855.034*

*_____
Kathleen A. Riley, FSA, MAAA, EA
Senior Vice President and Actuary*

SECTION 1

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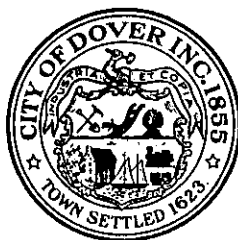
SECTION 4

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3

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City of Dover, New Hampshire OFFICE OF THE FINANCE DIRECTOR

Testimony on HB 514

AN ACT establishing a New Hampshire other post-employment benefits (OPEB) trust and enabling political subdivisions to create or participate in OPEB trusts.

Thursday February 5, 2009

House Executive Departments and Administration Committee

Dear Madame Chair and members of the Committee, for the record my name is Daniel R. Lynch Finance Director/Treasurer for the City of Dover, NH. I am here today respectfully requesting that the Committee vote Ought to Pass on HB 514.

The City of Dover is a municipality that has created an actuarially determined OPEB liability to pay post-employment medical insurance benefits to employees after their termination of service. The City is currently using a pay-as-you go approach to funding the OPEB liability. HB 514 will allow the City of Dover to establish an OPEB trust as a means to fund its actuarial determined OPEB liability.

What are the positive benefits of establishing an OPEB Trust:

1. Effect on discount rate
2. Effect on unfunded actuarial accrued liability (UAAL) and the annual required contribution (ARC)

Effect on Discount Rate – The City of Dover finances OPEB liability using a pay-as-you-go approach, the discount rate used in actuarial calculations is based on the historical (and expected future) returns on City short-term investments (those investments expected to be used in funding pay-as-you-go payment of OPEB). A trust will allow for long-term investments which historically (and are expected to) have higher returns than short-term investments.

Effect on UAAL and ARC – The City does not have the authority to accumulate assets in a dedicated trust for the purposes of funding its retiree healthcare obligations. Therefore, there are no assets available to reduce the UAAL and corresponding ARC expense (recognition of employer costs expected to be paid in future accounting periods). The ability to establish an OPEB trust will allow for funding to be dedicated to reducing the OPEB liability.

For these reasons the City of Dover respectfully requests that the Committee vote Ought to Pass on HB 514.

OTHER POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, RSA 21-I:30 specifies that the state provide certain health care insurance benefits for retired employees. These benefits include group hospitalization, hospital medical care, and surgical care. Substantially all of the state's employees who were hired on or before June 30, 2003 and have 10 years of service, may become eligible for these benefits if they reach normal retirement age while working for the state and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires state Group I employees hired on or after July 1, 2003 to have 20 years of state service in order to qualify for health insurance benefits. These and similar benefits for active employees and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund, which is the state's self-insurance fund implemented in October 2003 for active state employees and retirees. The state recognizes the cost of providing benefits by paying actuarially determined insurance contributions into the fund. An additional major source of funding for retiree benefits is from the New Hampshire Retirement System's medical premium subsidy program for Group I and Group II employees, which totaled approximately \$15.5 million for the fiscal year ended June 30, 2008.

The Governmental Accounting Standards Board (GASB) issued Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement 45, was implemented by the state during fiscal year 2008, and requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The State Legislature currently plans to only partially fund (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2008 (dollar amounts in thousands):

Annual Required Contribution/OPEB Cost	\$ 207,142
Contributions made (pay-as-you-go)	(50,332)
Increase in Net OPEB Obligation	156,810
Net OPEB Obligation - Beginning of Year	-
Net OPEB Obligation - End of Year	\$ 156,810

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 was as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
06/30/08	\$ 207,142	\$ 50,332	24.30%	\$ 156,810

As of December 31, 2006, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$2,559.5 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,559.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$558.4 million during fiscal year 2008, and the ratio of the UAAL to the covered payroll was 458 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2006 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return per annum. The projected annual healthcare cost trend is 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after four years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2006, was thirty years.

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 STATE OF NEW HAMPSHIRE
 STATEMENT OF NET ASSETS
 JUNE 30, 2008
 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 456,462	\$ 272,330	\$ 728,792	\$ 244,591
Cash and Cash Equivalents-Restricted.....		40,597	40,597	948
Receivables (Net of Allowances for Uncollectibles)....	593,664	25,136	618,800	39,317
Other Receivables-Restricted.....				3,769
Internal Balances.....	(11,071)	11,071		9,610
Due from Primary Government.....				
Due from Component Units.....	12,637		12,637	
Inventories.....	12,737	27,935	40,672	
Other Current Assets.....		142	142	5,762
Total Current Assets.....	1,064,429	377,211	1,441,640	303,997
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles)....	245,676		245,676	31,983
Due from Component Units.....	11,834		11,834	
Investments.....	27,594		27,594	368,811
Bond Issue Costs.....		3,108	3,108	
Other Assets.....		3,763	3,763	4,040
Capital Assets:				
Land & Land Improvements.....	576,443	113,895	690,338	14,440
Buildings & Building Improvements.....	685,424	25,161	710,585	1,217,103
Equipment & Computer Software.....	248,838	42,127	290,965	127,309
Construction in Progress.....	262,355	26,082	288,437	146,896
Infrastructure.....	2,865,262	611,156	3,476,418	
Less: Allowance for Depreciation.....	(2,269,870)	(244,926)	(2,514,796)	(560,340)
Net Capital Assets.....	2,368,452	573,495	2,941,947	945,408
Total Noncurrent Assets.....	2,653,556	580,366	3,233,922	1,350,242
Total Assets.....	3,717,985	957,577	4,675,562	1,654,239
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	277,536	46,391	323,927	46,317
Accrued Payroll.....	48,544	2,436	50,980	3,672
Due to Primary Government.....				12,637
Due to Component Units.....	9,610		9,610	
Deferred Revenue.....	56,229	9,823	66,052	42,162
Unclaimed Property & Prizes.....	16,197	1,083	17,280	
General Obligation Bonds Payable.....	78,953	1,474	80,427	
Claims & Compensated Absences Payable.....	45,779	1,540	47,319	11,038
Other Postemployment Benefits Payable.....	55,153		55,153	5,117
Other Liabilities.....	4,923	6,694	11,617	6,832
Other Liabilities-Restricted.....		3,807	3,807	654
Revenue Bonds Payable-Restricted.....		13,270	13,270	
Revenue Bonds Payable.....				9,005
Total Current Liabilities.....	592,924	86,518	679,442	137,434
Noncurrent Liabilities:				
General Obligation Bonds Payable, Net.....	656,223	1,347	657,570	
Revenue Bonds Payable, Net.....		243,695	243,695	449,334
Claims & Compensated Absences Payable.....	76,031	5,707	81,738	29,991
Other Postemployment Benefits Payable.....	101,657		101,657	46,305
Due to Primary Government.....				11,834
Other Noncurrent Liabilities.....	3,715	364	4,079	57,699
Total Noncurrent Liabilities.....	837,626	251,113	1,088,739	595,163
Total Liabilities.....	\$ 1,430,550	\$ 337,631	\$ 1,768,181	\$ 732,597

The notes to the financial statements are an integral part of this statement.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The state's combined net assets (government and business-type activities) totaled \$2.9 billion at the end of 2008, compared to \$3.0 billion at the end of the previous year.

Investment in Capital Assets: The largest portion of the state's net assets (68%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads and bridges), less any related outstanding debt used to acquire those assets. The state's investment in capital assets increased \$144.3 million from prior year. This increase was the result of a net increase in capital assets of \$151.2 million during the year combined with an increase in capital related debt of \$6.9 million. Although the state's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally cannot be used to liquidate these liabilities.

Restricted Net Assets: An additional portion of the state's net assets (22%) represents resources that are subject to external restrictions on how they may be used. Restricted net assets decreased \$31.5 million from prior year due largely to a decrease in unemployment compensation benefit reserves during the year.

Unrestricted Net Assets: The state's unrestricted net assets, totaling \$285.6 million, decreased \$213.9 million from the previous year, due largely to increases in retiree health costs and the recognition of other postemployment benefit liabilities in accordance with governmental accounting standards. These assets may be used to meet the state's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets. At the end of both the current and prior fiscal years, the state was able to report positive balances in all three categories of net assets, both for the primary government as a whole, as well as for its separate governmental and business-type activities.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 1,064,429	\$ 1,108,989	\$ 377,211	\$ 395,743	\$ 1,441,640	\$1,504,732
Capital assets	2,368,452	2,221,866	573,495	568,897	2,941,947	2,790,763
Other assets	285,104	292,252	6,871	6,996	291,975	299,248
Total assets	3,717,985	\$3,623,107	957,577	971,636	4,675,562	\$4,594,743
Noncurrent liabilities	837,626	716,303	251,113	265,355	1,088,739	981,658
Current liabilities	592,924	525,264	86,518	79,328	679,442	604,592
Total liabilities	1,430,550	1,241,567	337,631	344,683	1,768,181	1,586,250
Net assets:						
Invested in capital assets, net of related debt	1,674,011	1,547,866	316,330	298,150	1,990,341	1,846,016
Restricted	366,662	355,883	264,782	307,056	631,444	662,939
Unrestricted	246,762	477,791	38,834	21,747	285,596	499,538
Total net assets	\$ 2,287,435	2,381,540	\$ 619,946	\$ 626,953	\$ 2,907,381	\$3,008,493

Changes in Net Assets

The state's net assets decreased by \$101.1 million, or 3.4%, during the current fiscal year. Total revenues increased by \$76.5 million (1.5%) as compared to increases in expenses of \$417.2 million (8.3%).

More than half of the state's revenue (60.5%) is from program revenue, consisting of charges for goods and services, and federal and local grants. Revenues not specifically targeted for a specific program are known as general revenues, which are primarily from taxes. The largest revenue increases were from a combination of growth in several taxes including business and tobacco taxes and increases in federal health and social service grants.

The state's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 34.6% and 24.8% of total expenses, respectively. As compared to the prior year, Health and Social Services saw an increase of 9.5% due to additional federal Medicaid funding. Education expenses increased by 2.5% due to growth in Education Grants.

In addition, both higher energy costs and expenses related to retiree health and postemployment benefits contributed to General Government, Justice and Public Protection and Transportation growing by 17.4%, 23.0% and 7.7%, respectively.

Voting Sheets

HOUSE COMMITTEE ON EXECUTIVE DEPARTMENTS AND ADMINISTRATION

EXECUTIVE SESSION on HB 514

BILL TITLE: establishing a New Hampshire other post-employment benefits (OPEB) trust and enabling political subdivisions to create or participate in OPEB trusts.

DATE: March 3, 2009

LOB ROOM: 306

Amendments:

Sponsor: Rep. Butler OLS Document #: 2009 0512h

Sponsor: Rep. OLS Document #:

Sponsor: Rep. OLS Document #:

Motions: OTP OTP/A, ITL, Interim Study (Please circle one.)

Moved by Rep. McMahon

Seconded by Rep. Harding

Vote: 18-0 (Please attach record of roll call vote.)

Motions: OTP QTP/A, ITL, Interim Study (Please circle one.)

Moved by Rep. McMahon

Seconded by Rep. Schmidt

Vote: 18-0 (Please attach record of roll call vote.)

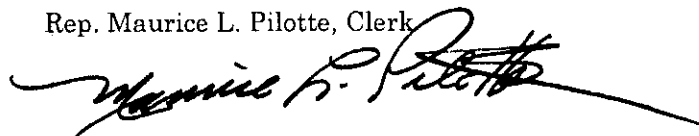
CONSENT CALENDAR VOTE: 18-0

(Vote to place on Consent Calendar must be unanimous.)

Statement of Intent: Refer to Committee Report

Respectfully submitted,

Rep. Maurice L. Pilotte, Clerk



HOUSE COMMITTEE ON EXECUTIVE DEPARTMENTS AND ADMINISTRATION

EXECUTIVE SESSION on HB 514

BILL TITLE: establishing a New Hampshire other post-employment benefits (OPEB) trust and enabling political subdivisions to create or participate in OPEB trusts.

DATE:

March 3, 2009

LOB ROOM: 306

Amendments:

Sponsor: Rep.

Butler

OLS Document #:

2009-05126

Sponsor: Rep.

OLS Document #:

Sponsor: Rep.

OLS Document #:

Motions:

OTP OTP/A, ITL, Interim Study (Please circle one.)

Amend
Moved by Rep.

McMahon

Seconded by Rep.

Harding

Vote: *18-0* (Please attach record of roll call vote.)

Motions:

OTP, OTP/A, ITL, Interim Study (Please circle one.)

Moved by Rep.

McMahon

Seconded by Rep.

Schmidt

Vote: *18-0* (Please attach record of roll call vote.)

CONSENT CALENDAR VOTE: {Type VOTE} *18-0*

(Vote to place on Consent Calendar must be unanimous.)

Statement of Intent:

Refer to Committee Report

Respectfully submitted,

Rep. Maurice L. Pilotte, Clerk

EXECUTIVE DEPARTMENTS AND ADMINISTRATION

Bill #: H.B. 514

Title:

*Establishing a NH Other post-employment
benefits trust + enabling political sub-sect.
to create or participate in OPB B Trusts*

PH Date: 2/5/09

Exec Session Date: 3/3/09

Motion: Amendment

OTP

Amendment #: 2009-05126

MEMBER	YEAS	NAYS
Irwin, Anne-Marie, Chairman	✓	
Harding, Laurie, V Chairman	✓	
Pilotte, Maurice L, Clerk	✓	
McMahon, Patricia M	✓	
Jeady, Jean L	✓	
Schmidt, Peter B	✓	
Beck, Catriona D	✓	
Sullivan, Daniel J	✓	
Petterson, Don	✓	
Houde-Quimby, Charlotte	✓	
Flurey, Joan S	✓	
Hawkins, Ken	✓	
Day, Russell C	✓	
Reagan, John M	<i>Absent</i>	
Gould, Kenneth H	✓	
Scamman, Stella	<i>Absent</i>	
McGuire, Carol M	✓	
Pratt, Calvin D	✓	
Ryder, Donald F	✓	
Vita, Carol M	✓	
TOTAL VOTE:	<u>18-0</u>	

EXECUTIVE DEPARTMENTS AND ADMINISTRATION

Bill #: HB 514 Title: Establishing a NH other post-employment benefits (OPEB) trust and enabling political subdivisions to create or participate in OPEB trusts
 PH Date: 2/15/09 Exec Session Date: 3/31/09
 Motion: OTP/A Amendment #: 2009-05124

MEMBER	YEAS	NAYS
Irwin, Anne-Marie, Chairman	✓	
Harding, Laurie, V Chairman	✓	
Pilotte, Maurice L, Clerk	✓	
McMahon, Patricia M	✓	
Jeudy, Jean L	✓	
Schmidt, Peter B	✓	
Beck, Catriona D	✓	
Sullivan, Daniel J	✓	
Petterson, Don	✓	
Houde-Quimby, Charlotte	✓	
Flurey, Joan S	✓	
Hawkins, Ken	✓	
Day, Russell C	✓	
Reagan, John M	Absent	
Gould, Kenneth H	✓	
Scamman, Stella	Absent	
McGuire, Carol M	✓	
Pratt, Calvin D	✓	
Ryder, Donald F	✓	
Vita, Carol M	✓	

TOTAL VOTE: 18-0
 Printed: 1/12/2009

Committee Report

CONSENT CALENDAR

March 4, 2009

HOUSE OF REPRESENTATIVES

REPORT OF COMMITTEE

**The Committee on EXECUTIVE DEPARTMENTS AND
ADMINISTRATION to which was referred HB514,**

AN ACT establishing a New Hampshire other post-employment benefits (OPEB) trust and enabling political subdivisions to create or participate in OPEB trusts. Having considered the same, report the same with the following amendment, and the recommendation that the bill OUGHT TO PASS WITH AMENDMENT.

Rep. Patricia M McMahon

FOR THE COMMITTEE

COMMITTEE REPORT

Committee:	EXECUTIVE DEPARTMENTS AND ADMINISTRATION
Bill Number:	HB514
Title:	establishing a New Hampshire other post- employment benefits (OPEB) trust and enabling political subdivisions to create or participate in OPEB trusts.
Date:	March 4, 2009
Consent Calendar:	YES
Recommendation:	OUGHT TO PASS WITH AMENDMENT

STATEMENT OF INTENT

The purpose of the amended bill is to enable the state and political subdivisions to create one or more irrevocable trusts to facilitate funding Other Post Employment Benefits (OPEB's) to address and ultimately offset the accrued liability of those benefits. The Governmental Accounting Standards Board (GASB) issued statement 42 and 45 re accounting and reporting requirements for post employment benefits (other than pensions) by government. This legislation will accomplish the objective to enable the establishment of OPEB trusts.

Vote 18-0.

Rep. Patricia M McMahan
FOR THE COMMITTEE

Original: House Clerk
Cc: Committee Bill File

CONSENT CALENDAR

EXECUTIVE DEPARTMENTS AND ADMINISTRATION

HB514, establishing a New Hampshire other post-employment benefits (OPEB) trust and enabling political subdivisions to create or participate in OPEB trusts. **OUGHT TO PASS WITH AMENDMENT.**

Rep. Patricia M McMahon for EXECUTIVE DEPARTMENTS AND ADMINISTRATION. The purpose of the amended bill is to enable the state and political subdivisions to create one or more irrevocable trusts to facilitate funding Other Post Employment Benefits (OPEB's) to address and ultimately offset the accrued liability of those benefits. The Governmental Accounting Standards Board (GASB) issued statement 42 and 45 re accounting and reporting requirements for post employment benefits (other than pensions) by government. This legislation will accomplish the objective to enable the establishment of OPEB trusts. **Vote 18-0.**

Original: House Clerk
Cc: Committee Bill File

ED&A

DRAFT

HB 514

The purpose of the amended bill is to enable the state and political subdivisions to create one or more irrevocable trusts to facilitate funding Other Post Employment Benefits (OPEB's) to address and ultimately offset the accrued liability of those benefits. The Governmental Accounting Standards Board (GASB) issued statement 42 and 45 re accounting and reporting requirements for post employment benefits (other than pensions) by government. This legislation will accomplish the objective to enable the establishment of OPEB trusts.

Rep. McMahon



Rep. AM Irwin, Chair

Welch, Gail

From: ricia mcMahon [msricia@yahoo.com]
Sent: Tuesday, March 03, 2009 4:45 PM
To: Welch, Gail
Cc: Anne-Marie Irwin; Irwin, Anne-Marie
Subject: HB 514 sorry I couldn't attach it - Ricia

HB 514 relative to establishing a New Hampshire other post-employment benefits (OPEB) trust and enabling political subdivisions to create or participate in OPEB trusts. OUGHT TO PASS WITH AMENDMENT.

Rep. Patricia McMahon for Executive Departments and Administration: The purpose of the amended bill is to enable the state and political subdivisions to create one or more irrevocable trusts to facilitate funding Other Post Employment Benefits (OPEB's) to address and ultimately offset the accrued liability of those benefits. The Governmental Accounting Standards Board (GASB) issued statement 42 and 45 re accounting and reporting requirements for post employment benefits (other than pensions) by government. This legislation will accomplish the objective to enable the establishment of OPEB trusts.