

Senate Executive Departments and Administration Committee

Cameron Lapine 271-2104

HB 173-FN, requiring the independent investment committee of the New Hampshire retirement system to report investment fees.

Hearing Date: March 17, 2021

Time Opened: 10:15 a.m.

Time Closed: 10:24 a.m.

Members of the Committee Present: Senators Carson, Reagan, Ricciardi, Cavanaugh and Prentiss

Members of the Committee Absent : None

Bill Analysis: This bill requires the quarterly report of the retirement system's independent investment committee to include a description of investment fees. The bill also requires independent investment committee reports to be available on the retirement system's Internet website.

Sponsors:

Rep. Schuett

Rep. Schultz

Rep. Ellison

Rep. M. Pearson

Rep. Merchant

Who supports the bill: Representative Dianne Schuett (Merrimack – District 20), Representative Jeff Goley (Hillsborough – District 8), Richard Gulla (SEA/SEIU L 1984), Karen Irwin, Casey McCabe (NH Retirement Security Coalition), Brian Hawkins (NEA-NH), Representative Gary Merchant (Sullivan – District 4), Robin Vogt, Representative Art Ellison (Merrimack – District 27), Cullen Tiernan (SEA/SEIU 1984), Brian Ryll (Professional Fire Fighters of NH), Virginia Clifford, and Avis Crane.

Who opposes the bill: None.

Who is neutral on the bill: Marty Karlon (NHRS).

Summary of testimony presented in support:

Representative Dianne Schuett

Merrimack – District 20

- Representative Schuett said HB 173-FN is an attempt to add transparency to the actions of the New Hampshire Retirement System (NHRS) independent investment committee. She said that investment accounts regularly provide information on earnings, as well as the costs involved with having those accounts handled. She said NHRS members should have access to information on what is spent to increase the funds.

- Rep. Schuett said that transparency is the surest way to judge the value of decisions being made.
- Rep. Schuett said that HB 173-FN is a re-file of HB 1326 (2020), which was included in an omnibus bill that was vetoed for other reasons.
- Rep. Schuett said that HB 173-FN passed House Executive Departments and Administration unanimously and pass the House on the Consent Calendar.
- Senator Carson asked if HB 173-FN was asking NHRS to include fees in their quarterly statements to members.
 - Rep. Schuett said that the idea was that they be posted online but said Mr. Karlon from NHRS could address any further actions NHRS might take, such as including it in their quarterly statements.

Richard Gulla

President, SEA/SEIU Local 1984

- Mr. Gulla said that he supports HB 173-FN.
- Mr. Gulla said that while he was representing SEA/SEIU members, he is also a NHRS member as a former Liquor Commission employee.
- Mr. Gulla said that because the NHRS is funded through public tax dollars, there is an expectation of complete transparency. He said that HB 173-FN creates a requirement to report fees on investment returns to NHRS trustees and members of the public.
- Mr. Gulla said that the return on investment of the NHRS trust fund is important to the stability of the fund, which affects property taxes. He said that property taxes are lower if the NHRS has strong returns.
- Mr. Gulla said that NHRS had a 1.1% return rate for FY 2020. He said that the assumed rate was 6.7% and the 1.1% rate was far off. He said it was illogical for a \$10 billion fund to return 1.1%. He said that it should be known how much went to managers and fees for consultants.
- Mr. Gulla said that transparency on fees would help to understand why NHRS performs the way it does and how much is being paid for the low performance.

Summary of testimony presented in opposition: None.

Neutral Information Presented:

Marty Karlon

NHRS

- Mr. Karlon said that NHRS has no position on HB 173-FN. He said that NHRS reports fees annually in the annual financial report. He said that they could be posted online quarterly and can add that report if HB 173-FN is passed.
- Senator Carson said it is good to know that NHRS already collects the information on fees. She asked if it would be difficult to break it out quarterly and include it in quarterly statements.
 - Mr. Karlon said that because of the timing of billing and such, there would be a three-month lag in what is reported. He said that through March 31, for example, there would be no information until May or so. He said that NHRS would report the fees as NHRS received the information.
- Senator Carson asked if there would be information informing pensioners of the three-month lag.

- Mr. Karlon said that whatever the final format is, it would include a narrative explaining the fees and adding context. He said that it would not be a sheet of numbers and NHRS would try to contextualize the information for a layperson's understanding.

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Date Hearing Report completed: March 18, 2021