

HB 616-FN - VERSION ADOPTED BY BOTH BODIES

27Feb2019... 0094h

4Apr2019... 1268h

2019 SESSION

19-0674

10/01

HOUSE BILL **616-FN**

AN ACT relative to a cost of living adjustment for retirees in the state retirement system.

SPONSORS: Rep. Schuett, Merr. 20; Rep. Leishman, Hills. 24; Rep. Fellows, Graf. 8; Rep. Ellison, Merr. 27; Rep. Katsakiores, Rock. 6; Rep. Moffett, Merr. 9; Rep. M. Pearson, Rock. 34; Rep. Rogers, Merr. 28

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill grants a cost of living adjustment to retirees who have been retired for at least 60 months. The total actuarial cost of the supplemental allowance is funded by retirement system funds.

Explanation: Matter added to current law appears in ***bold italics***.

Matter removed from current law appears ~~[in brackets and struckthrough.]~~

Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

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STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Nineteen

AN ACT relative to a cost of living adjustment for retirees in the state retirement system.

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

1 New Section; Retirement System; Cost of Living Adjustment. Amend RSA 100-A by inserting after section 41-d the following new section:

100-A:41-e Cost of Living Adjustment; Supplemental Allowance.

I. Any retired member of the New Hampshire retirement system or any of its predecessor systems, who has been retired for at least 60 months prior to or on July 1, 2019, or any beneficiary of such member who is receiving an allowance, shall be entitled to receive a cost of living adjustment (COLA) as a supplemental allowance, on the retired member's first anniversary date occurring after July 1, 2020. The amount of such supplemental allowance shall be 1-1/2 percent of a member's or beneficiary's annual retirement allowance which is \$50,000 or less, or otherwise 1-1/2 percent of the first \$50,000 of a retired member's or beneficiary's allowance.

II. The total actuarial cost of the supplemental allowance under paragraph I, as determined by the actuary and certified by the board of trustees of the retirement system, shall be terminally funded from the state annuity accumulation fund.

III. The supplemental allowance 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, or similar provisions of predecessor systems.

2 Repeal. RSA 100-A:41-a through RSA 100-A:41-d, relative to prior provisions for supplemental allowances, are repealed.

3 Effective Date. This act shall take effect July 1, 2019.

LBAO

19-0674

Amended 4/10/19

HB 616-FN- FISCAL NOTE

AS AMENDED BY THE HOUSE (AMENDMENT #2019-1268h)

AN ACT relative to a cost of living adjustment for retirees in the state retirement system.

FISCAL IMPACT: ☒ State ☒ County ☒ Local ☐ None

STATE:	Estimated Increase / (Decrease)			
	FY 2020	FY 2021	FY 2022	FY 2023
Appropriation	\$0	\$0	\$0	\$0
Revenue	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$993,000	\$1,026,000
Funding Source:	<input checked="" type="checkbox"/> General <input type="checkbox"/> Education <input checked="" type="checkbox"/> Highway <input checked="" type="checkbox"/> Other - Various Funds			

POLITICAL

SUBDIVISIONS:

Revenue	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$4,328,000	\$4,457,000

* 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 grants a cost of living adjustment (COLA) of 1.5 percent to all retirees or beneficiaries whose annual retirement allowance is \$50,000 or less, or otherwise up to the first \$50,000, who have been retired for at least 60 months (5 years) prior to or on July 1, 2019 payable on the retired member's first anniversary date occurring after July 1, 2020, and funded from the state annuity accumulation fund under RSA 100-A:16, II. The COLA shall become a permanent addition to the member or beneficiary's base retirement allowance.

The New Hampshire Retirement System's actuary provided valuations based upon data used in the annual actuarial valuation as of June 30, 2017. The valuation assumes an annual rate of return of 7.25 percent, wage inflation of 3.25 percent per year (2.75 percent for teachers) and an amortization period of a closed 20-year period beginning in FY 2020. Actual FY 2022-2023 employer rates will be based on the actuarial valuation of June 30, 2019. The allocation of this benefit is estimated as follows:

State

Employer Pension Rates as a Percent of Payroll				
	Current 2020-2021 Rates		Impact of Proposal	Proposed 2020-2021 Rates
Employees	10.88%		0.11%	10.99%
Police	24.77%		0.32%	25.09%
Fire	26.43%		0.34%	26.77%
Expected Employer Dollar Increase (Decrease) Due to Proposal				
	FY 2020	FY 2021	FY 2022	FY 2023
Employees	-	-	\$692,000	\$715,000
Police	-	-	\$286,000	\$295,000
Fire	-	-	<u>\$15,000</u>	<u>\$16,000</u>
TOTAL	-	-	\$993,000	\$1,026,000

Political Subdivisions

Employer Pension Rates as a Percent of Payroll				
	Current 2020-2021 Rates		Impact of Proposal	Proposed 2020-2021 Rates
Employees	10.88%		0.11%	10.99%
Teachers	15.99%		0.18%	16.17%
Police	24.77%		0.32%	25.09%
Fire	26.43%		0.34%	26.77%
Expected Employer Dollar Increase (Decrease) Due to Proposal				
	FY 2020	FY 2021	FY 2022	FY 2023
Employees	-	-	\$830,000	\$857,000
Teachers	-	-	\$2,213,000	\$2,274,000
Police	-	-	\$807,000	\$833,000
Fire	-	-	<u>\$478,000</u>	<u>\$493,000</u>
TOTAL	-	-	\$4,328,000	\$4,457,000

The projected increase to the unfunded actuarial accrued liability as of June 30, 2019 (end of FY 19) is \$65.1 million. The COLA is effective after July 1, 2020 (FY 2021). Assuming a 7.25 percent rate of return for 2 years, the unfunded actuarial accrued liability would grow to \$74.9 million in FY 2021. This amount represents the cost to "terminally fund" the COLA up-front, rather than through future employer contribution rates.

The NHRS states the expected cost to make these changes to the NHRS pension database software Pension Gold is estimated to be approximately \$10,000 in other funds.

AGENCIES CONTACTED:

New Hampshire Retirement System