Bill as Introduced

SB 159-FN – AS INTRODUCED

2001 SESSION

01-0194
10/01

SENATE BILL ***159-FN***

AN ACT relative to benefit options for surviving spouses and designated beneficiaries of deceased members of the retirement system.

SPONSORS: Sen. Wheeler, Dist 21; Rep. Pepino, Hills 40; Rep. L. Fraser, Merr 9

COMMITTEE: Insurance

ANALYSIS

This bill provides for survivor benefits and options for spouses and designated beneficiaries of deceased retirement system members.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

SB 159-FN - AS INTRODUCED

01-0194
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STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand One

AN ACT relative to benefit options for surviving spouses and designated beneficiaries of deceased members of the retirement system.

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

1 Accidental Death; Group I; Option to Lump Sum Payment. Amend RSA 100-A:8, I(a) to read as follows:

(a) If, upon the receipt by the board of trustees of proper proof of the death of a group I member in service indicating that such death was the natural and proximate result of an accident occurring while in the performance of duty at some definite time and place, the board decides that death was the result of an accident in the performance of duty and not caused by willful negligence on the part of the member, a state annuity shall be paid to his widow, to continue during her widowhood; or if there is no widow, or if the widow dies or remarries before the youngest child of the deceased member has attained age 18, then to his child or children under such age, divided in such manner as the board in its discretion shall determine, to continue as a joint and survivorship state annuity for the benefit of such child or children under said age until every child dies or attains said age; or if there is no widow or child under age 18 living at the death of the member, then to his dependent father or dependent mother as the board shall determine, to continue for life; or if the deceased member is a female, the foregoing benefits shall be payable to her widower, children or dependent parents only in like manner and amount; provided that if none of the aforementioned beneficiaries is living or eligible for benefits under the provisions of this section, there shall be payable to the person or persons nominated by the member, if living, otherwise to the member's estate, a lump sum amount which is equal to the deceased member's base salary plus accrued benefits not paid at the time of death, in addition to the amount payable under RSA 100-A:11. ***In lieu of such lump sum amount, the designated beneficiary or beneficiaries may elect to receive the applicable ordinary death benefit that, under RSA 100-A:9, would have been payable to the beneficiary or beneficiaries if the member's death had not been the result of an accident occurring while in the performance of duty.***

2 Accidental Death; Group II; Option to Lump Sum Payment. Amend RSA 100-A:8, II(a) to read as follows:

(a) If, upon the receipt by the board of trustees of proper proof of the death of a group II member in service indicating that such death was the natural and proximate result of an accident occurring while in the performance of duty at some definite time and place, or as the natural and proximate result of repeated trauma or gradual degeneration occurring while in the actual performance of duty or arising out of and in the course of employment or of any occupational disease arising out of or in the course of employment, as defined by RSA 281-A:2, XI and found to be

compensable by the commissioner of labor pursuant to RSA 281-A:43; the board decides that death was the result of an accident in the performance of duty and not caused by willful negligence on the part of the member, a state annuity shall be paid to the member's surviving spouse, to continue until the surviving spouse remarries; or if there is no surviving spouse, or if the surviving spouse dies or remarries before the youngest child of the deceased member has attained age 18, then to the deceased members' child or children under such age, divided in such manner as the board in its discretion shall determine, to continue as a joint and survivorship state annuity for the benefit of such child or children under said age until every child dies or attains said age; or if there is no surviving spouse or child under age 18 living at the death of the member, then to the member's dependent father or dependent mother as the board shall determine, to continue for life; provided that if none of the aforementioned beneficiaries is living or eligible for benefits under the provisions of this section, there shall be payable to the person or persons nominated by the member, if living, otherwise to the member's estate, a lump sum amount which is equal to the deceased member's base salary plus accrued benefits not paid at the time of death, in addition to the amount payable under RSA 100-A:11. ***In lieu of such lump sum amount, the designated beneficiary or beneficiaries may elect to receive the applicable ordinary death benefit that, under RSA 100-A:9, would have been payable to the beneficiary or beneficiaries if the member's death had not been the result of an accident occurring while in the performance of duty.***

3 Ordinary Death Benefit. RSA 100-A:9 is repealed and reenacted to read as follows:

100-A:9 Ordinary Death Benefit; Group I and II Members.

I. Upon receipt by the board of trustees of proper proof of the death of a group I or group II member in service indicating that such death was not the result of an accident occurring while in the performance of duty, there shall be a death benefit payable to either the member's surviving spouse or, if the member has designated a beneficiary other than the member's spouse, the member's designated beneficiary or beneficiaries, if living, otherwise to the member's estate.

II. If the member was eligible for service retirement pursuant to RSA 100-A:5, I(a) or (c), RSA 100-A:5, II(a), or RSA 100-A:19-b at the time of the member's death, there shall be payable to the member's surviving spouse or designated beneficiary or beneficiaries, if living, a service retirement allowance, continuing until death equal to the survivor benefit payable under RSA 100-A:13, III, Option 2 had the member retired immediately prior to death, based on average final compensation and creditable service at the time of death. In lieu of the allowance, the surviving spouse or designated beneficiary or beneficiaries may elect to receive the lump sum benefit set forth in paragraph IV. If the member's spouse beneficiary or the member's designated non-spouse beneficiary or beneficiaries predecease the member, the member's estate shall receive the lump sum benefit set forth in paragraph IV.

III. If the member has at least 10 years combined creditable service, but was not eligible for service retirement pursuant to RSA 100-A:5, I(a) or (c), RSA 100-A:5, II(a), or RSA 100-A:19-b at the

time of the member's death and has not designated a beneficiary or beneficiaries other than the member's spouse, there shall be payable to the member's surviving spouse an allowance, continuing until the spouse's death or remarriage, equal to 50 percent of the service retirement allowance that would have been payable to the member had the member retired immediately prior to death, based on average final compensation and creditable service at the time of death. In lieu of such allowance, the surviving spouse may elect the lump sum benefit set forth in paragraph IV. If the member has designated a beneficiary or beneficiaries other than the member's spouse, the designated beneficiary or beneficiaries, if living, otherwise the member's estate, shall receive the lump sum benefit set forth in paragraph IV.

IV. If the member did not have at least 10 years combined creditable service and was not eligible for service retirement at the time of death, there shall be payable to the member's surviving spouse or the member's designated beneficiary or beneficiaries, if other than a spouse, if living, otherwise to the member's estate, a lump sum benefit equal to the deceased member's annual earnable compensation at the time of death in addition to the amount payable under RSA 100-A:11.

V. A member may designate multiple beneficiaries, however, only the member's spouse and/or children shall be eligible to receive the survivor benefit set forth in paragraph II. When a survivor benefit is payable to multiple beneficiaries, the unanimous written consent of all multiple beneficiaries is required to authorize the receipt of a lump sum death benefit in lieu of the survivor benefit. If a member designates, as a multiple beneficiary, any person other than the member's spouse and/or children, all of the member's designated multiple beneficiaries shall be limited to receipt of the lump sum benefit in paragraph IV.

VI. Any beneficiary designation properly executed by a member and timely filed with the retirement system shall revoke any beneficiary designation previously filed by the member.

4 Optional Allowances; Survivorship Option. Amend RSA 100-A:13, I to read as follows:

I. [~~Any member who has reached service retirement age as provided in RSA 100-A:5, I(a), or II(a), or RSA 100-A:19-b,~~] ***Any eligible member applying for retirement*** or any retiree within 120 days after the effective date of retirement, may elect to receive, instead of the retirement allowance otherwise payable, a retirement allowance of equivalent actuarial value under one of the options named in paragraph III, or to redesignate any such option previously elected. When the member elects to receive an optional retirement allowance under paragraph III, the beneficiary or beneficiaries whom the member nominates may include the member's spouse and/or children. The notice of non-election, election, or change of retirement option shall be on a form designated by the board, which, if the member is married, shall include a spousal acknowledgment. The optional allowance shall be effective upon retirement if the election is made before the effective date of retirement, and on the first day of the month following receipt by the board of the notice of election or change of option if made during the 120-day grace period. When an election or change of option is made during the 120-day grace period, no retroactive adjustments will be made in payments already

received by the retiree. After expiration of the 120-day grace period no change in option selection shall be permitted except as provided in paragraph II. If a retiree dies after filing notice of election or change of option during the 120-day grace period but before the effective date, the election or change shall be effective as of the date of death. If a member dies after filing an election for a survivorship retirement option and before the effective date of retirement, [~~whether or not the member has filed for retirement,~~] the beneficiary who was nominated by the member in the election of the option may elect to receive either the optional survivor benefit which the member had elected or the ordinary death benefit provided under RSA 100-A:9, whichever is more advantageous to the beneficiary[~~; provided that, in the case of the member's death before retirement, if the beneficiary named in the survivorship option election is not the same person as the beneficiary under RSA 100-A:9, then the death benefit under RSA 100-A:9, II, and not the survivorship option shall apply~~].

5 New Paragraph; Optional Allowances; Beneficiary Designation. Amend RSA 100-A:13 by inserting after paragraph III the following new paragraph:

IV. Any beneficiary designation properly executed by a member and timely filed with the retirement system shall revoke any beneficiary designation previously filed by the member.

6 Effective Date. This act shall take effect 60 days after its passage.

LBAO
01-0194
2/27/01

SB 159-FN - FISCAL NOTE

AN ACT relative to benefit options for surviving spouses and designated beneficiaries of deceased members of the retirement system.

FISCAL IMPACT:

The New Hampshire Retirement System states this bill will increase state, county and local expenditures by an indeterminable amount in FY 2001 and each year thereafter. There will be no fiscal impact on state, county and local revenue.

METHODOLOGY:

The System stated this bill would allow a designated beneficiary or beneficiaries to elect in lieu of a lump sum amount, the applicable ordinary death benefit under RSA 100-A:9 that would have been payable to them if the member's death had not been the result of an accident occurring while in the performance of duty. Benefits would be as follows:

I. Spouses or beneficiaries of members who are eligible for a service retirement allowance under RSA 100-A:5, I(a) or (c) would receive a 100% joint and survivor benefit;

II. Spouses or beneficiaries of members who have at least 10 years of creditable service but who are not eligible for a service retirement under RSA 100-A:5, I(a) or (c) would receive a benefit equal to 50% of the service retirement allowance; and

III. Spouses or beneficiaries who have less than 10 years of creditable service would receive a lump sum equal to the deceased member's annual compensation.

The System states this bill would increase normal rates (% rate of employer contribution) by .11% for Employee members, .08% for Teacher members, .03% for Policemen members, and .02% for Firefighter members. This increase in normal rates will total approximately $712,000, $533,000, $45,000, and $13,000, for the respective member groups.

The System states this bill will eliminate the actuarial loss that occurs each time a member dies in active service, since the cost of the 100% joint and survivor benefit for death in active service will be funded while the member is working rather than at the time of death.

The System estimates a one-time administrative expense of $15,000 in FY 2001 to modify the System's computer program, and estimates an annual administrative expense for NHRS staff of $3,000 in FY 2001 and each year thereafter.

The Actuary's letter is on file in the bill jacket in the Senate Clerk's Office.

Committee Minutes

Date: April 11, 2001
Time: 9:13 a.m.
Room: LOB 101

The Senate Committee on Insurance held a hearing on the following:

SB 159-FN relative to benefit options for surviving spouses and designated beneficiaries of deceased members of the retirement system.

Members of Committee present: Senator Harold W. Burns, Chairman
Senator Gary Francoeur, Vice-Chair
Senator Katherine Wells Wheeler
Senator Robert Flanders
Senator Beverly Hollingworth

The Chair, Senator Harold W. Burns, opened the hearing.

Senator Burns recognized **Senator Wheeler**.

Senator Katherine W. Wheeler, Dist 21: Thank you. Mr. Chair, members of the Committee, I'm Senator Katie Wheeler; and **defacto, bringing retirement bills before the Committee**. (I'm) not an expert but somebody who cares deeply about these issues.

It's my understanding that there's a problem right now that if a person upon retirement doesn't come to Concord and sign this special form about how the benefits should be paid, if before that is done this member dies: the spouse is done out of all the benefits. And, Arthur Beaudry will explain this more carefully to you; but it's righting an iniquity in our current system. I don't think it will be a problem. Hope not, *(sic)* I hope you'll look favorably upon it.

Senator Harold W. Burns, Dist 1: Thank you, very much. I will now recognize Arthur Beaudry.

Arthur Beaudry: Mr. Chairman, members of the Committee, again, for the record, my name is Arthur Beaudry. (I'm) representing the **New**

Hampshire State Permanent Firefighters' Association; and I am here in **favor** of **Senate Bill 159**.

As the Senator has stated, **this piece of legislation will allow a member's beneficiary to receive the maximum benefit payable by law without having to go up to Concord in the retirement system and sign a pre-option form**.

What started this whole thing was we had a couple firefighters in Manchester who had their **20** years of service, age **45**, and had the form. One gentleman had the form in his desk drawer; was going to go up, sign it and give it in; and he passed away of a heart attack prior to having that form submitted to the retirement system. His **spouse lost out on 50%** of his benefit **because that form was not signed and handed in**.

We had another gentleman (in) basically the same situation. He had his **20** years and **45 in September**. He passed away in **October**, and did not have time to go up and fill that form out. **His spouse and children also lost out on 50%** of the benefit that was payable by law.

This also **includes Group 1 *and* Group 2 – not just for Group 2.** The **Group 1** people, they have to sign a form because of the way they can retire. They can retire as young as age **50.** They have to sign a form **every 90 days. And if that form is not signed and they pass away, their beneficiaries would lose out on their benefit.**

We feel it's cumbersome to have somebody have to go up to the legisla(ture)...up to the retirement office and sign these forms; that the benefit is theirs; it's already approved and that it should be their beneficiaries' upon their death.

And, I'll answer any questions.

Senator Harold W. Burns, Dist 1: I have one question. If they **don't sign the form intentionally**, do they get a **bigger pension?**

Arthur Beaudry: They **don't** get a ***bigger*** pension: **they would get whatever was coming to them.** So if I had, you know...a Group 1 person, if they had **30** years of service and were age **55**, whatever that benefit was that they were going to receive would go to their beneficiary. **They would be getting no extra.**

Senator Harold W. Burns, Dist 1: **Is there any reason for them not to want to sign the form?** I guess that's what I'm trying to ask.

Arthur Beaudry: There **should be no reason at all not to sign** the form because their beneficiaries would be...on...the **beneficiary is already designated** in the retirement office...who their beneficiary is going to be.

Senator Harold W. Burns, Dist 1: A lot of retirements you **get more money if you do not include your spouse**..

Arthur Beaudry: **No, this would not add any benefit.** It would just allow the beneficiary to allow the, receive the benefit that that member would have received if they were still living and retired.

Senator Gary R. Francoeur, Dist 14: What if the guy was going through **divorce stuff and she was on the form originally?** You can't take her off. Could she apply to get it even though.....or **what if she is the survivor?**

Arthur Beaudry: My understanding, and I'm not an expert on this, but my time *(sic)* on the retirement board is **once a QDRO has been established**, whatever is under the **QDRO** - that's **a *qualified domestic relations order*: that is what would take precedent**. So, that would be my understanding then.

Senator Robert B. Flanders, Dist 7: Mr. Chairman?

Senator Harold W. Burns, Dist 1: Yes.

Senator Robert B. Flanders, Dist 7: Not being familiar with the retirement system, **if someone retires and they fill out that form, do they have to at that time choose whether they're going to leave 50% to their spouse**; or do you have to go through that? Because I just did that with my retirement.

Senator Harold W. Burns, Dist 1: Right. You don't do that?

Arthur Beaudry: You...let me clarify a little bit better. This form **only protects you when you're eligible to retire and you want to continue to keep working**. So that is if you were to die, that your beneficiary would not lose out on any benefits.

Now, saying that I want to retire; I go back up to the retirement office and I have to sign another form stating what options I want to take and how do I want to have my beneficiaries covered. **This is just a covery *(sic)* of beneficiaries so that you continue to keep working and if you were**

to die your beneficiary would not lose out on anything. So this is to cover people that want to continue to keep working but are eligible to retire and get a benefit.

Did I make myself any clearer or did I complicate things?

You still have to go back up again and sign a form. Once you are ready to retire you sign another form with your options and everything. **What this does is allow your beneficiary to collect a maximum benefit payable so you can keep working, and if something happens to you they will not lose out on anything**. That's basically what this language will do.

Senator Beverly A. Hollingworth, Dist 23: So if you decide you're going to work, this allows your beneficiary to start to receive already even though you're working?

Arthur Beaudry: No. She would not receive...they would not receive anything. **All it does is protect them in case something happens.**

Senator Beverly A. Hollingworth, Dist 23: **In the event that you should die before you really retire?**

Arthur Beaudry: **Right**. Exactly. They will not lose out on the benefit.

Senator Robert B. Flanders, Dist 7: Mr. Chairman?

Senator Harold W. Burns, Dist 1: Yes?

Senator Robert B. Flanders, Dist 7: And the spouse would get **100%** of what that deceased person would have had?

Arthur Beaudry: **That's correct.**

Senator Robert B. Flanders, Dist 7: There would have been no choice of **50%** or **75%**?

Arthur Beaudry: **That's correct.**

Senator Robert B. Flanders, Dist 7: It would have been **100%**?

Arthur Beaudry: One hundred percent.

Senator Harold W. Burns, Dist 1: Senator Wheeler?

Senator Katherine W. Wheeler, Dist 21: Thank you, Mr. Chairman. I want to make sure I understand it too. So the person you, that you talked about who was eligible for retirement in September and then died in October wasn't ever planning to come to Concord to sign the form because he was planning to keep on working?

Arthur Beaudry: Well, he would have...yeah, he planned on keeping on working; but he should have gone up and signed that form. He didn't do it because of the time frame. But, I tell all my members that once you obtain the age of **45** to **20** years, to get to Concord and sign that form to cover your beneficiaries so that they don't lose out on any benefits. It was just a *timing* thing. He was eligible in September. October he passed away and didn't get up there to sign it. But it wasn't to say that he had the mind set that he wasn't going (to) go and sign it. Similar to the district chief that had the form in his desk drawer. He was going to fill it out, and sign it, and send it in; and he died of a heart attack a week after he received the form, and never had it signed out. And his wife lost out on **50%** of his benefits.

Senator Katherine W. Wheeler, Dist 21: Could I just follow?

Arthur Beaudry: Yes.

Senator Katherine W. Wheeler, Dist 21: But these...in both of those cases they were people who were **eligible** for retirement **but weren't actually planning to retire right then.**

Arthur Beaudry: **That's correct.**

Senator Katherine W. Wheeler, Dist 21: And if you were, if you were **eligible for retirement and were planning to retire, you could change your beneficiary at that point?**

Arthur Beaudry: You can change your beneficiary. You can change your options. **You can change whatever you want.**

Senator Harold W. Burns, Dist 1: And that goes back to my question. It would be a **different year *(sic)* options if you were actually retiring: whether you included the spouse or not**?

Arthur Beaudry: That, yeah. You can change your options at that point. **Yes, you can when you actually go and retire.** You have a beneficiary signature on file at the retirement office, and then when you go to retire; you can change that beneficiary option or the beneficiary at any time. **But not all the legislature last year put in the play that if you want to**

eliminate your spouse she has to sign off on that. So your spouse has a right to your pension. She would never...she wouldn't lose off *(sic)* unless she signs off on it.

Senator Katherine W. Wheeler, Dist 21: ..... *(interfering noise in room)* thank you, Mr. Chair. So this Bill is **not changing anything about whether your divorced spouse is getting benefits**?

Arthur Beaudry: That's correct.

Senator Katherine W. Wheeler, Dist 21: Whatever options you had, **you still have regardless of what this Bill does**?

Arthur Beaudry: That's correct.

Senator Harold W. Burns, Dist 1: You got a further question?

Senator Gary R. Francoeur, Dist 14: Says when you reach *(sic)* the retirement system states, ***"...this Bill will increase state, county and local expenditures by an indeterminable amount."*** *(papers rustling).* **(See SB 159-FN-Fiscal Note, Paragraph 1)**

Arthur Beaudry: How I can explain that is basically with this legislation the **actuary puts that in there; but it's gonna be a cost *savings* more than a cost expense**. And the **reason** being is right now when the retirement system **actuary does their evaluation every two years, they are looking back at the prior two years at the experience of what, how many people have died and took an option on their spouse**. And **then they calculate that benefit and they *charge the system post dollars***. So what this is doing is you're ***prefunding* the benefit**. 'Cause now its gonna be in the statute that it's going to be there. So they will prefund it and it's gonna be cheaper because **you're funding it with today's dollars instead of funding it with tomorrow's dollars two years down the road**. So that's why they have to put that cost in there, but that's already, ***that's already a cost that is associated with the current law***. It's just the **method** of funding. They postfund it instead of prefunding it.

Senator Harold W. Burns, Dist 1: Thank you, very much.

Jeffrey Brown?

Jeffrey Brown: I have not – don't wish to speak, Mr. Chairman, but we do **support** the Bill.

Senator Harold W. Burns, Dist 1: Ok.

Dennis Parker wishes to speak?

Dennis Parker: No, Senator. I also wish to **support** the Bill. Thank you.

Senator Harold W. Burns, Dist 1: **Dennis Murphy** wishes to **support** the Bill and not speak. **John Bardelsek** (?) wishes to **support** the Bill and does not wish to speak. **Clark Corson** wishes to **support** the Bill and not to speak.

Is there anyone else that wishes to...yes?

Eric Henry: Thank you, Mr. Chairman, members of the Committee. I'm Eric Henry the **Executive Director of the Retirement System.** I'm **neither in support nor opposition** of the Bill but rather would like to clarify a few items.

In the...with regard to the benefit amounts: if a person is planning on retiring and is entitled to a $30,000 benefit, the maximum benefit, and he passes away; his spouse would be **entitled to nothing** under the maximum benefit amount. That member or retiree **could elect a**, or what's known as a **joint survivor option,** that would **provide a specific amount to his spouse on his death.** It would be a reduced amount because it's really a **form of insurance** and it, it's considered **insurance premium** or an **actuarial adjustment.** So that if a person who was entitled to a maximum benefit of $30,000 per year selected a joint survivor option, perhaps his benefit would go down to $25,000: leaving his spouse entitled to $25,000 per year.

What this legislation does is assumes that person would select a joint survivor option so that if a person's maximum amount was $30,000 per year and the person dies: the spouse would not get the full $30,000 but rather the reduced amount that would provide for the actuary or adjustment. This would still be greater than the normal 50% that that person's survivor would get if the maximum amount was $30,000 and no form was signed. Currently, the spouse would get the 50% or $15,000 per year. So this legislation does increase what the surviving spouse would get but not to the full maximum $30,000 for example.

Senator Harold W. Burns, Dist 1: Questions?

Senator Gary R. Francoeur, Dist 14: Yes. Let's just go back to the fiscal on retirement section says, which states for **increased normal rates. Now, is the retirement funded so much by the individual and so much by the state,** or the...?

Eric Henry: **Yes, that's correct.**

Senator Gary R. Francoeur, Dist 14: So, **would it increase state expenditures?**

Eric Henry: **Yes,** it would. It would increase the employer rate. And this, the numbers you're seeing are the **additional normal contributions which would increase the contribution rates.**

Senator Gary R. Francoeur, Dist 14: **So, when it says the increase in normal rates would fall approximately $712,000 - $533,000, $45,000, and $13,000; what's the breakout? Who's, who's paying more?**

Eric Henry: I believe the breakout is **65% of that would go to the municipalities and 35%.**

Senator Gary R. Francoeur, Dist 14: **Thirty-five percent is the State?**

Eric Henry: **Yes.**

Senator Gary R. Francoeur, Dist 14: And what's the **individual** pay into it.

Eric Henry: The individual would continue to pay his statutory contribution rate. His contribution **would not go up.**

Senator Gary R. Francoeur, Dist 14: Was...

Eric Henry: (Unidentified Speaker overriding Eric Henry)...five-point-three *(sic).*

Unidentified Speaker: For Group I.

Senator Gary R. Francoeur, Dist 14: Ok. **So it's.....$700,000 a year to implement this Bill?**

Eric Henry: **Yes, to the employers.**

Senator Gary R. Francoeur, Dist 14: To the employers.

Eric Henry: **Yes, and that would be split two-thirds and a third. Two thirds to the municipality and one-third to the State.**

Senator Gary R. Francoeur, Dist 14: Mr. Beaudry said this would be impact to the draw after. **Why is the initial impact $700,000**? Was it going to .....?

Eric Henry: **I'm not sure**. I'm not fully familiar with the funding mechanisms and that was the first I had heard the statement that this would save the system money. And I haven't worked through those numbers yet so I can't answer that question.

Senator Gary R. Francoeur, Dist 14: Another question?

Senator Harold W. Burns, Dist 1: Yes.

Senator Gary R. Francoeur, Dist 14: .....state Bill *(sic)* ...if this Bill was going to cost **65%** of the **$700,000** initiated through the municipal and...

Eric Henry: .. Yes.

Senator Gary R. Francoeur, Dist 14: ...the current *(sic)* was gonna be...

Eric Henry: Yes.

Senator Harold W. Burns, Dist 1: Any further questions?

Eric Henry: But whether that **65% additional contribution is more or less than the amount that the death benefit would be otherwise, I can't answer that at this point.**

Senator Harold W. Burns, Dist 1: Thank you, very much.

Clark Corson, I guess I mentioned, is in favor of it. Did not wish to speak. Does anyone else wish to speak on Senate Bill 159?

Arthur Beaudry: Mr. Chairman, if I may just clarify that cost for the Senate. Under the ***Buck Report*, dated December 14, 2000, to Eric Henry, it states that the increase in normal rates in Group II – this was originally a Group II Bill – is an actuarial loss described above. The increase in a normal rate of Group I is an actuarial loss of the members over age 60. And the cost is 100% joint survivor benefits for**

the members who meet the rule of 70 or have at least 10 years of service and are age 50.

This legislation eliminates the actuarial loss, which occurs each time a member dies in active service. In other words, the cost of 100% joint and survivor benefit for death in active service will be funded while the member is working instead at the time of death. So she's stating that if you're prefunding this instead of waiting for the member to die and then when they do the evaluation and they say, ok, this member died; we have to pay "x" amount of dollars: now we're going to be post funding that. And you're going to have to take in consideration interest compounding effect. Where if you prefunded, the interest and the compounding effect was going to work in your benefit and...to your benefit. And I can get access to this if you want a copy of this bound Buck Report...

Senator Katherine W. Wheeler, Dist 21: Mr. Chair, the Bill says that the letter is on file in the bill jacket in the Senate Clerk's Office. So, could we have the secretary make copies for all of us?

Senator Harold W. Burns, Dist 1: It's going to **save the system money**; but it will **cost the employer money and the employee** as you go through the system.

Arthur Beaudry: **No. If it saves the System money, it saves the employer money.** Because when they do the evaluation, if the system is funded, then the employer rates. I should...let me back up.

The employ...**that $700,000 dollars, let's assume, is going to be paid. But it's going to be paid two years when they do the evaluation instead of being paid today. When they look at the evaluation in two years from now; they're going to look and say that the experience rate was $700,000. So now we have to fund that. So they're going to put that in two years down the road instead of putting it in today.**

Senator Gary R. Francoeur, Dist 14: That's only assuming that they change the law.

Arthur Beaudry: **No. Under current law right now...**

Senator Gary R. Francoeur, Dist 14: Yeah...

Arthur Beaudry: **The people that go up there and sign the forms; if they die before they retire, that's an actuary loss to the system. So that means that has to be funded. So that money will be funded**

when they do the evaluation every two years. And that's what they're assuming.

They're assuming so many people are going to die before they retire. And that's where they're getting that cost associated with this Bill.

Senator Gary R. Francoeur, Dist 14: **That $700,000 isn't just the change that this Bill is doing for those that haven't signed yet and are coming up?**

Arthur Beaudry: **No. It's my assumption that $700,000 is what they're assuming how many people are going to die where their spouses will be receiving a benefit. They have to make an assumption.**

Now next year that, that pri(ce)...that rate may go up or may go down depending on the "actual" number of people that have died before they retired.

Senator Harold W. Burns, Dist 1: Further question?

Senator Gary R. Francoeur, Dist 14: **Can we get somebody to clarify what that $700,000 is?** Is that the $700,000 that the change in this law of somebody that hasn't signed off before they passed away? Or, is it somebody that...is that $700,000 normally coming up and it would have signed off anyway? So maybe we if we could get somebody from the retirement system who could tell us exactly what that $700,000 is based on?

Arthur Beaudry: **Ok. I think this letter from Buck dated December 14th states it in that second page.** It clarifies where the money is going. And its assumptions on their behalf. That's how many people are going to die before they are eligi...be – not before they're eligible, but before they actually retire.

Senator Harold W. Burns, Dist 1: Senator Hollingworth?

Senator Beverly A. Hollingworth, Dist 23: Yes, if we could find out how many people...I, I presume it's only a few people who don't sign this form.

Arthur Beaudry: That's correct.

Senator Beverly A. Hollingworth, Dist 23: So, I would like to know, you know: could we have a number? Is there two, is it ten, is it a hundred? That's what I think is important because that's the...

Senator Gary R. Francoeur, Dist 14: What makes up the numbers.

Arthur Beaudry: But it's ongoing. It's going to be hard to find that out because every year you have people that's eligible.

Senator Beverly A. Hollingworth, Dist 23: Do we have an average of how many people forget to sign this form?

(Indiscernible conversation with simultaneous conversation between 3-5 people.)

Arthur Beaudry: The Director stated that he can get an average of how many people died without signing that form.

Senator Gary R. Francoeur, Dist 14: And what makes up the **$700,000**? (Indiscernible response from unidentified speaker.)

Senator Harold W. Burns, Dist 1: Any further questions? Thank you, very much. Anyone else on this Bill? If not, I'll close the hearing **on Senate Bill 159**.

The Hearing was closed at 9:35 A.M.

Respectfully submitted,

Laurel Gallant Hanlon, Secretary

Transcription: Kathleen Lewis Hennessy

Speakers

SB 159-FN Public Sign In - INSURANCE COMMITTEE

APPEARING: IN FAVOR	APPEARING: TO OPPOSE	DATE: APRIL 11, 2001 TIME: 9:10 AM NAME / REPRESENTING	WISH TO SPEAK?
✓		CLARK CORSON N.H. TROOPERS ~~ASSOC~~	NO
✓		Arthur Beaudry NH STATE Permanent Firefighters	yes
✓		Jeffrey Brown Professional Firefighters	yes
✓		John Bardelatz	~~NO~~
✓		[illegible]	NO
✓		Denis Parker SEA	YES ~~NO~~
✓		Art Henry	

Committee Report

STATE OF NEW HAMPSHIRE

SENATE

REPORT OF THE COMMITTEE

Date: **MAY 9, 2001**

THE COMMITTEE ON **Insurance**

to which was referred **Senate Bill 159-FN**

AN ACT ***relative to benefit options for surviving spouses and designated beneficiaries of deceased members of the retirement system.***

VOTE: **5 / 0**

Having considered the same, report the same without amendment and recommend that the bill: **OUGHT TO PASS**.

Senator Katherine Wheeler
For the Committee

SB159 Docket

Next|Prev|Results List|Main|Bill Status

Bill Title: relative to benefit options for surviving spouses and designated beneficiaries of deceased members of the retirement system.

Date	Body	Description
2/22/2001	S	Introduced and Ref. to Insurance; SJ 5, Pg.57
4/4/2001	S	Hearing; April 11, 2001, Room 101, LOB, 9:10 a.m.; SC16
5/2/2001	S	Committee Report; Ought to Pass, [05/09/01]; SC22-A
5/9/2001	S	Ought to Pass, MA, VV; OT3rdg, MA, VV; SJ 12, Pg.172
5/10/2001	H	5/3/2001 Introduced and ref to Exec Depts & Admin; HJ47, p1418
5/10/2001	H	Copy to Chairman on 5/10/2001 due Early
5/10/2001	H	Hearing May 15 11:00 RM100, St House
5/16/2001	H	Subcom Work Session May 22 9:00 RM100, St House
5/24/2001	H	Retained in Committee
9/18/2001	H	Subcom Work Session Sept 25 9:00 RM100, St House

Next|Prev|Results List|Main|Bill Status

Docket Abbreviations