Bill as Introduced

HB 356-FN – AS INTRODUCED

2003 SESSION

03-0816
10/09

HOUSE BILL ***HB 356-FN***

AN ACT relative to including medical benefits costs in the purchase of creditable service in the retirement system.

SPONSORS: Rep. Zolla, Rock 77

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill provides that the determination of the cost to purchase creditable service in the retirement system shall include the costs of medical benefits.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

HB 356-FN – AS INTRODUCED

03-0816
10/09

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Three

AN ACT relative to including medical benefits costs in the purchase of creditable service in the retirement system.

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

1 Retirement System; Purchase of Creditable Service; Cost of Medical Benefits. Amend RSA 100-A:3, VI(c) to read as follows:

(c) Upon payment by the member of the amount determined by the actuary ***which shall include, where applicable, the cost of financing medical benefits paid from the 401(h) subtrust under RSA 100-A:50-55***, and with the approval of the board, the member shall receive credit for such prior service. ***Except for allocations to the 401(h) subtrust,*** the full amount of such payment by the member for prior service credit shall be credited to the member annuity savings fund.

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

LBAO
03-0816
1/16/03

HB 356-FN - FISCAL NOTE

AN ACT relative to including medical benefits costs in the purchase of creditable service in the retirement system.

FISCAL IMPACT:

The New Hampshire Retirement System states this bill will increase state restricted expenditures by $65,000 in FY 2003. There will be no fiscal impact on state, county, and local revenue or county and local expenditures.

METHODOLOGY:

The System states this bill provides that the determination of the cost of purchasing creditable service under RSA 100-A:3, VI(c) shall include the cost of the post-retirement medical subsidy. There is no cost to the System since the impacted member has to pay for the entire cost of the post-retirement medical subsidy. There would be a one-time administrative cost of $15,000 to modify the PC program used to calculate the cost of purchasing creditable service, and a one-time administrative cost of $50,000 to modify the mainframe to track the contributions used to purchase the post-retirement medical subsidy cost.

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

Committee Minutes

Date: April 8, 2003
Time: 8:50 AM
Room: LOB 101

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

HB 356-FN relative to including medical benefits costs in the purchase of creditable service in the retirement system.

Members of Committee present: Senator Flanders
Senator Prescott
Senator Martel
Senator Roberge

The Chair, Senator Robert B. Flanders, opened the hearing.

Representative William Zolla, Rock. D. 77: Thank you, Mister Chairman. My name is William Zolla, representing District 77, the Town of Derry. This is bill 356?

Senator Robert B. Flanders, D. 7: Yes.

Representative William Zolla, Rock. D. 77: This is the purchasing of medical benefits. The medical sub-trusts that are in the Retirement System have no guarantors like the annuity. The annuity portion, if the Retirement System doesn't earn 9%, then it comes back on the employers to change their rates. But, when it moves over into the special accounts under the medical sub-trusts and there are four classifications; teachers, fire, police and employees. These are terminally funded and if – that's for the people that are eligible or will be eligible at the time that was set-up. The only way additional money can be put in there is if the special accounts are doing well and we recalculate those and put money in, which hasn't been happening over the past two years. It's not going to happen this year and may not happen next year but these particular sub-trusts are being watered down.

As communities have found out that if they bring their employees into the Retirement System and they pay for the annuity portion, that these people are also eligible for the medical sub-trust and therefore water down the money in that sub-trust for the people that are already existing there.

What this bill says is, Look. You can bring your people in. We're obligated to bring them into the System as long as you pay the employer portion and the employee portion but if you want the medical benefit, you must terminally fund that employee for that benefit. Now to terminally fund the present value of the medical benefits once these people retire is almost $50,000 for the person and their wife and each time that somebody comes in to the System, it waters it down.

Now we have, for instance, Pinkerton Academy and Coe Brown Academy. They want to come into the Retirement System and if they get an IRS ruling that because they serve the public, even though they are private Academies, they can come in, we're talking about anywhere from 600 to 800 people or a cost of $56 million to the System that they would get out from under and it will become the burden of the Retirement System. If that happened, it would ruin the medical sub-trusts. It would probably bring them back to 40%, which in essence says they're only going to be good for 40% of the time that we thought that they were going to be good.

That 's what this bill does. This bill says Look. You're welcome to come into the System but if you want medical benefits, you are now liable for and you want to transfer that liability to the Retirement System, then you must terminally fund those benefits into the medical sub-trust. That's what this bill is all about.

Senator Robert B. Flanders, D. 7: Any questions of this witness? Basically, this is a protection bill?

Representative William Zolla, Rock. D. 77: Yes, Sir.

Senator Robert B. Flanders, D. 7: Because - am I correct in assuming that because of the cost of health insurance, a lot of municipalities and towns and so forth are trying to get into the Retirement System for the benefit of the medical and they're not paying for it now?

Representative William Zolla, Rock. D. 77: That's correct.

Senator Robert B. Flanders, D. 7: And all this bill says is you can come in but if you're going to buy into the indemnity part of it, you also have to buy into the medical part of it?

Representative William Zolla, Rock. D. 77: If you want those benefits.

Senator Robert B. Flanders, D. 7: If you want those benefits.

Representative William Zolla, Rock. D. 77: You can opt not to have those benefits and just come into the annuity portion.

Senator Robert B. Flanders, D. 7: Thank you. Any questions? Thank you for your testimony. There's nobody else signed up to testify on this bill, so I will close the hearing on House Bill 356-FN.

Hearing on House Bill 356-FN closed at 9:10 AM.

Respectfully submitted,

MA Chandler

Merideth Ann Chandler,
Senate Secretary
05/23/03

Attachments: 0

Speakers

SENATE INSURANCE COMMITTEE

Date 04/08/03 Time 8:50 AM Public Hearing on **Bill # HB 356-FN**

relative to including medical benefits costs in the purchase of creditable service in the retirement system.

Please check box(es) that apply.

SPEAKING	FAVOR	OPPOSED	NAME (Please print)	REPRESENTING
☒	☒	☐	Rep M. Zolla	Dist 77 Derry
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Committee Report

STATE OF NEW HAMPSHIRE

SENATE

REPORT OF THE COMMITTEE

Date: April 8, 2003

THE COMMITTEE ON Insurance

to which was referred House Bill 356-FN

AN ACT relative to including medical benefits costs in the purchase of creditable service in the retirement system.

VOTE: 4-0

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

Senator Robert B. Flanders
For the Committee

HB356 Docket

Next|Prev|Results List|Main|Bill Status

Bill Title: relative to including medical benefits costs in the purchase of creditable service in the retirement system.

Date	Body	Description
1/9/2003	**H**	Introduced and ref to Exec Depts & Admin; HJ 12, p192
1/22/2003	**H**	Copy to Chairman on 1/22/2003
1/22/2003	**H**	Hearing Feb 11 1:45 RM100,St House
2/12/2003	**H**	==CANCELLED(Storm)==Subcom Work Session Feb 18 9:15 RM100, St House
2/18/2003	**H**	Rescheduled Subcom Work Session Mar 3 9:15 RM100,St House
3/4/2003	**H**	Maj Report OTP for Mar 13 (Vote 17-0;Reg)
3/13/2003	**H**	Passed VV; HJ24, p606 + 629
3/13/2003	**S**	Introduced and Ref. to Insurance; SJ 8, Pg.108
4/4/2003	**S**	Hearing; April 8, 2003, Room 101, LOB, 8:50 a.m.; SC17
4/11/2003	**S**	Committee Report; Ought to Pass, [04/17/03]; SC18
4/17/2003	**S**	Ought to Pass; MA, VV; Refer to Finance [Rule 26]; SJ 13, Pg.322
5/15/2003	**S**	Committee Report; Ought to Pass , [05/22/03]; SC23
5/22/2003	**S**	Ought to Pass, MA, VV; OT3rdg; SJ 17, Pg.447
5/22/2003	**S**	Passed by 3rd Reading Resolution; SJ 17, Pg.479
5/29/2003	**S**	Enrolled; SJ 18, Pg.522
6/5/2003	**H**	Enrolled; HJ 47, p1495
6/12/2003	**H**	Signed by the Governor on 6/12/2003 Eff: 8/11/2003 Chap: 0124

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Docket Abbreviations