Bill as Introduced

SB 23-FN – AS INTRODUCED

2003 SESSION

03-0284
10/09

SENATE BILL ***SB 23-FN***

AN ACT allowing veterans the right to purchase credit in the retirement system for certain service in the armed forces.

SPONSORS: Sen. Clegg, Dist 14; Sen. Barnes, Dist 17; Sen. D'Allesandro, Dist 20; Sen. Kenney, Dist 3; Sen. Boyce, Dist 4; Rep. Heon, Straf. 67; Rep. Coughlin, Hills 45; Rep. O'Neil, Rock 85; Rep. Hamel, Rock 79

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill allows veterans who are active employees in the retirement system to purchase as additional creditable service certain time in the armed forces of the United States.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

03-0284
10/09

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Three

AN ACT allowing veterans the right to purchase credit in the retirement system for certain service in the armed forces.

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

1 New Paragraph; Creditable Service for Military Service. Amend RSA 100-A:4 by inserting after paragraph V the following new paragraph:

VI.(a) Notwithstanding any other provision of this section, a member in active service in the retirement system who has completed 10 years of creditable service, shall be entitled to receive credit, upon payment by the member of the cost of such credit and upon approval of the board, for not more than 5 years of additional creditable service for active service in the armed forces of the United States, subject to the following:

(1) The member is not receiving military retirement benefits at the time of application for such credit, other than disability allowances.

(2) The member is honorably discharged or is an officer honorably separated from the military service of the United States, or is in active status in the New Hampshire national guard or organized reserve. A member on active status in the New Hampshire national guard or organized reserve may apply such service time on a ratio of 5 years active national guard or reserve service to one year of available additional creditable service under this paragraph.

(3) The member is not at the time of application for credit receiving any retirement benefits under this chapter or under any predecessor system.

(b) Credit for active service in the armed services shall not be made until the member has paid either in lump sum or by installment deductions from pay from an employer. The amount determined by the actuary shall be the product of the member's annual rate of compensation at the time of the payment, multiplied by the contribution rate in effect with respect to the member at the time of the payment, multiplied by the number of years of prior service credit purchased.

(c) Additional creditable service purchased under this paragraph shall not be used as creditable service for the purpose of determining service retirement eligibility or for purpose of eligibility for medical and surgical benefits as a retired employee under RSA 21-I:30.

2 Reference Added. Amend the introductory paragraph of RSA 100-A:4-b, I to read as follows:

I. Notwithstanding any provision of RSA 100-A to the contrary, any group I employee or teacher member of the New Hampshire retirement system, in service on or after June 30, 1990, who was formerly a member of a public employees' retirement system outside of New Hampshire, shall be allowed to purchase credit for such out-of-state service as creditable service in the New Hampshire retirement system; provided, however, that creditable service in the New Hampshire retirement

system which is purchased under this paragraph shall not be deemed creditable service for the purpose of eligibility for medical and surgical benefits as a retired employee under RSA 21-I:30. For such employee or teacher members, only creditable service performed in the state of New Hampshire as a member of the New Hampshire retirement system shall be counted as creditable service for the purpose of eligibility for medical and surgical benefits as a retired employee under RSA 21-I:30. For the purposes of this section, "public employees' retirement system" shall include any retirement system established and maintained by the United States government, the members of which are federal government employees. For the purposes of this section, any military service not otherwise authorized pursuant to RSA 100-A:4, IV [~~and~~], V, ***or VI*** shall not be included as creditable service in a public employees' retirement system. The group I employee or teacher member shall meet the following conditions:

3 Reference Added. Amend the introductory paragraph of RSA 100-A:4-c, I to read as follows:

I. Notwithstanding any provision of RSA 100-A to the contrary, any group II permanent policeman or permanent fireman member of the New Hampshire retirement system, in service on or after June 30, 1990, who was formerly a member of a public employees' retirement system outside of New Hampshire, shall be allowed to purchase credit for such out-of-state service as creditable service in the New Hampshire retirement system; provided, however, that creditable service in the New Hampshire retirement system which is purchased under this paragraph shall not be deemed creditable service for the purpose of eligibility for medical and surgical benefits as a retired employee under RSA 21-I:30. For such employee or teacher members, only creditable service performed in the state of New Hampshire as a member of the New Hampshire retirement system shall be counted as creditable service for the purpose of eligibility for medical and surgical benefits as a retired employee under RSA 21-I:30. For the purposes of this section, "public employees' retirement system" shall include any retirement system established and maintained by the United States government, the members of which are federal government employees. For the purposes of this section, any military service not otherwise authorized pursuant to RSA 100-A:4, IV, [~~and~~] V, ***or VI*** shall not be included as creditable service in a public employees' retirement system. The group II permanent policeman or permanent fireman member shall meet the following conditions:

4 Effective Date. This act shall take effect July 1, 2003.

LBAO
03-0284
12/12/02

SB 23-FN - FISCAL NOTE

AN ACT allowing veterans the right to purchase credit in the retirement system for certain service in the armed forces.

FISCAL IMPACT:

The New Hampshire Retirement System has stated this bill will increase state restricted expenditures by $5,000 in FY 2004 and each year thereafter. There will be no fiscal impact on state, county, and local revenue or county and local expenditures.

METHODOLOGY:

The System states this bill would allow certain veterans who are active members in the retirement system to purchase as additional creditable service certain time in the armed forces of the United States. There will be no fiscal impact for this legislation since the employee pays the entire cost for the prior service. There will be an additional annual cost of $5,000 for possible additional System administration associated with this legislation.

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

SB 23-FN – AS AMENDED BY THE SENATE

02/13/03 0202s

2003 SESSION

03-0284
10/09

SENATE BILL ***SB 23-FN***

AN ACT allowing veterans the right to purchase credit in the retirement system for certain service in the armed forces.

SPONSORS: Sen. Clegg, Dist 14; Sen. Barnes, Dist 17; Sen. D'Allesandro, Dist 20; Sen. Kenney, Dist 3; Sen. Boyce, Dist 4; Rep. Heon, Straf. 67; Rep. Coughlin, Hills 45; Rep. O'Neil, Rock 85; Rep. Hamel, Rock 79

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill allows veterans who are active employees in the retirement system to purchase as additional creditable service certain time in the armed forces of the United States.

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.

02/13/03 0202s

03-0284
10/09

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Three

AN ACT allowing veterans the right to purchase credit in the retirement system for certain service in the armed forces.

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

1 New Paragraph; Creditable Service for Military Service. Amend RSA 100-A:4 by inserting after paragraph V the following new paragraph:

VI.(a) Notwithstanding any other provision of this section, a member in active service in the retirement system who has completed 10 years of creditable service, shall be entitled to receive credit, upon payment by the member of the cost of such credit and upon approval of the board, for not more than 5 years of additional creditable service for active service in the armed forces of the United States, subject to the following:

(1) The member is not receiving military retirement benefits at the time of application for such credit, other than disability allowances.

(2) The member is honorably discharged or is an officer honorably separated from the military service of the United States, or is in active status in the New Hampshire national guard or organized reserve. A member on active status in the New Hampshire national guard or organized reserve may apply such service time on a ratio of 5 years active national guard or reserve service to one year of available additional creditable service under this paragraph.

(3) The member is not at the time of application for credit receiving any retirement benefits under this chapter or under any predecessor system.

(b) Credit for active service in the armed services shall not be made until the member has paid either in lump sum or, if permitted by the board of trustees, by installment deductions from pay from an employer. The actuary's statement shall be the product of the member's annual rate of compensation at the time of buy-in, multiplied by the sum of the member and employer contribution rates in effect with respect to the member at the time of buy-in, multiplied by the number of years of prior service credit bought.

(c) Additional creditable service purchased under this paragraph shall not be used as creditable service for the purpose of determining service retirement eligibility or for purpose of eligibility for medical and surgical benefits as a retired employee under RSA 21-I:30.

2 Reference Added. Amend the introductory paragraph of RSA 100-A:4-b, I to read as follows:

I. Notwithstanding any provision of RSA 100-A to the contrary, any group I employee or teacher member of the New Hampshire retirement system, in service on or after June 30, 1990, who was formerly a member of a public employees' retirement system outside of New Hampshire, shall be

allowed to purchase credit for such out-of-state service as creditable service in the New Hampshire retirement system; provided, however, that creditable service in the New Hampshire retirement system which is purchased under this paragraph shall not be deemed creditable service for the purpose of eligibility for medical and surgical benefits as a retired employee under RSA 21-I:30. For such employee or teacher members, only creditable service performed in the state of New Hampshire as a member of the New Hampshire retirement system shall be counted as creditable service for the purpose of eligibility for medical and surgical benefits as a retired employee under RSA 21-I:30. For the purposes of this section, "public employees' retirement system" shall include any retirement system established and maintained by the United States government, the members of which are federal government employees. For the purposes of this section, any military service not otherwise authorized pursuant to RSA 100-A:4, IV [~~and~~], V, ***or VI*** shall not be included as creditable service in a public employees' retirement system. The group I employee or teacher member shall meet the following conditions:

3 Reference Added. Amend the introductory paragraph of RSA 100-A:4-c, I to read as follows:

I. Notwithstanding any provision of RSA 100-A to the contrary, any group II permanent policeman or permanent fireman member of the New Hampshire retirement system, in service on or after June 30, 1990, who was formerly a member of a public employees' retirement system outside of New Hampshire, shall be allowed to purchase credit for such out-of-state service as creditable service in the New Hampshire retirement system; provided, however, that creditable service in the New Hampshire retirement system which is purchased under this paragraph shall not be deemed creditable service for the purpose of eligibility for medical and surgical benefits as a retired employee under RSA 21-I:30. For such employee or teacher members, only creditable service performed in the state of New Hampshire as a member of the New Hampshire retirement system shall be counted as creditable service for the purpose of eligibility for medical and surgical benefits as a retired employee under RSA 21-I:30. For the purposes of this section, "public employees' retirement system" shall include any retirement system established and maintained by the United States government, the members of which are federal government employees. For the purposes of this section, any military service not otherwise authorized pursuant to RSA 100-A:4, IV, [~~and~~] V, ***or VI*** shall not be included as creditable service in a public employees' retirement system. The group II permanent policeman or permanent fireman member shall meet the following conditions:

4 Effective Date. This act shall take effect July 1, 2003.

LBAO
03-0284
12/12/02

SB 23-FN - FISCAL NOTE

AN ACT allowing veterans the right to purchase credit in the retirement system for certain service in the armed forces.

FISCAL IMPACT:

The New Hampshire Retirement System has stated this bill will increase state restricted expenditures by $5,000 in FY 2004 and each year thereafter. There will be no fiscal impact on state, county, and local revenue or county and local expenditures.

METHODOLOGY:

The System states this bill would allow certain veterans who are active members in the retirement system to purchase as additional creditable service certain time in the armed forces of the United States. There will be no fiscal impact for this legislation since the employee pays the entire cost for the prior service. There will be an additional annual cost of $5,000 for possible additional System administration associated with this legislation.

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

CHAPTER 234

SB 23-FN - FINAL VERSION

02/13/03 0202s

15may03... 1498h

06/24/03 2070eba

2003 SESSION

03-0284

10/09

SENATE BILL ***23-FN***

AN ACT allowing veterans the right to purchase credit in the retirement system for certain service in the armed forces.

SPONSORS: Sen. Clegg, Dist 14; Sen. Barnes, Dist 17; Sen. D'Allesandro, Dist 20; Sen. Kenney, Dist 3; Sen. Boyce, Dist 4; Rep. Heon, Straf. 67; Rep. Coughlin, Hills 45; Rep. O'Neil, Rock 85; Rep. Hamel, Rock 79

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill allows veterans who are active employees in the retirement system to purchase as additional creditable service certain time in the armed forces of the United States.

- -

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.

02/13/03 0202s

15may03... 1498h

06/24/03 2070eba

03-0284

10/09

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Three

AN ACT allowing veterans the right to purchase credit in the retirement system for certain service in the armed forces.

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

234:1 New Paragraph; Creditable Service for Military Service. Amend RSA 100-A:4 by inserting after paragraph V the following new paragraph:

VI.(a) Notwithstanding any other provision of this section, a member in active service in the retirement system who has completed 10 years of creditable service in the state, shall be entitled to receive credit, upon payment by the member of the cost of such credit and upon approval of the board, for not more than 3 years of additional creditable service for active service in the armed forces of the United States, subject to the following:

(1) The member is not receiving military retirement benefits at the time of application for such credit, other than disability allowances.

(2) The member is honorably discharged or is an officer honorably separated from the military service of the United States, or is in active status in the New Hampshire national guard or organized reserve. A member on active status in the New Hampshire national guard or organized reserve may apply such service time on a ratio of 5 years active national guard or reserve service to one year of available additional creditable service under this paragraph.

(3) The member is not at the time of application for credit receiving any retirement benefits under this chapter or under any predecessor system.

(b) Credit for active service in the armed services shall not be made until the member has paid either in lump sum or, if permitted by the board of trustees, by installment deductions from pay from an employer. The actuary's statement shall be the product of the member's annual rate of compensation at the time of buy-in, multiplied by the sum of the member and employer contribution rates in effect with respect to the member at the time of buy-in, multiplied by the number of years of prior service credit bought.

(c) Additional creditable service purchased under this paragraph shall not be used as creditable service for the purpose of determining service retirement eligibility or for the purpose of

eligibility for medical and surgical benefits as a retired employee under RSA 21-I:30, RSA 100-A:52, RSA 100-A:52-a, or RSA 100-A:52-b.

234:2 Reference Added. Amend the introductory paragraph of RSA 100-A:4-b, I to read as follows:

I. Notwithstanding any provision of RSA 100-A to the contrary, any group I employee or teacher member of the New Hampshire retirement system, in service on or after June 30, 1990, who was formerly a member of a public employees' retirement system outside of New Hampshire, shall be allowed to purchase credit for such out-of-state service as creditable service in the New Hampshire retirement system; provided, however, that creditable service in the New Hampshire retirement system which is purchased under this paragraph shall not be deemed creditable service for the purpose of eligibility for medical and surgical benefits as a retired employee under RSA 21-I:30. For such employee or teacher members, only creditable service performed in the state of New Hampshire as a member of the New Hampshire retirement system shall be counted as creditable service for the purpose of eligibility for medical and surgical benefits as a retired employee under RSA 21-I:30. For the purposes of this section, "public employees' retirement system" shall include any retirement system established and maintained by the United States government, the members of which are federal government employees. For the purposes of this section, any military service

not otherwise authorized pursuant to RSA 100-A:4, IV [~~and~~], V, ***or VI*** shall not be included as creditable service in a public employees' retirement system. The group I employee or teacher member shall meet the following conditions:

234:3 Reference Added. Amend the introductory paragraph of RSA 100-A:4-c, I to read as follows:

I. Notwithstanding any provision of RSA 100-A to the contrary, any group II permanent policeman or permanent fireman member of the New Hampshire retirement system, in service on or after June 30, 1990, who was formerly a member of a public employees' retirement system outside of New Hampshire, shall be allowed to purchase credit for such out-of-state service as creditable service in the New Hampshire retirement system; provided, however, that creditable service in the New Hampshire retirement system which is purchased under this paragraph shall not be deemed creditable service for the purpose of eligibility for medical and surgical benefits as a retired employee under RSA 21-I:30. For such employee or teacher members, only creditable service performed in the state of New Hampshire as a member of the New Hampshire retirement system shall be counted as creditable service for the purpose of eligibility for medical and surgical benefits as a retired employee under RSA 21-I:30. For the purposes of this section, "public employees' retirement system" shall include any retirement system established and maintained by the United States government, the members of which are federal government employees. For the purposes of this section, any military service not otherwise authorized pursuant to RSA 100-A:4, IV, [~~and~~] V, ***or VI*** shall not be included as creditable service in a public employees' retirement system. The group II permanent policeman or permanent fireman member shall meet the following conditions:

234:4 Effective Date. This act shall take effect July 1, 2003.

(Approved: July 7, 2003)

(Effective Date: July 1, 2003)

Amendments

Sen. Prescott, Dist. 23
January 31, 2003
2003-0131s
10/03

Amendment to SB 23-FN

Amend RSA 100-A:4, VI(b) as inserted by section 1 of the bill by replacing it with the following:

(b) Credit for active service in the armed services shall not be made until the member has paid either in lump sum or, if permitted by the board of trustees, by installment deductions from pay from an employer. The actuary's statement shall be the product of the member's annual rate of compensation at the time of buy-in, multiplied by the sum of the member and employer contribution rates in effect with respect to the member at the time of buy-in, multiplied by the number of years of prior service credit bought.

Senate Executive Departments and Administration
February 6, 2003
2003-0202s
10/01

Amendment to SB 23-FN

Amend RSA 100-A:4, VI(b) as inserted by section 1 of the bill by replacing it with the following:

(b) Credit for active service in the armed services shall not be made until the member has paid either in lump sum or, if permitted by the board of trustees, by installment deductions from pay from an employer. The actuary's statement shall be the product of the member's annual rate of compensation at the time of buy-in, multiplied by the sum of the member and employer contribution rates in effect with respect to the member at the time of buy-in, multiplied by the number of years of prior service credit bought.

Committee Minutes

SENATE
EXECUTIVE DEPARTMENTS AND ADMINISTRATION COMMITTEE

HEARING REPORT

FROM: Joshua Chamberlain
RE: SB 23 allowing veterans the right to purchase credit in the retirement system for certain service in the armed forces.
DATE: January 25, 2002

SPONSOR(S): Sen. Clegg, Dist 14; Sen. Barnes, Dist 17; Sen. D'Allesandro, Dist 20; Sen. Kenney, Dist 3; Sen. Boyce, Dist 4; Rep. Heon, Straf. 67; Rep. Coughlin, Hills 45; Rep. O'Neil, Rock 85; Rep. Hamel, Rock 79

WHAT THE BILL DOES: This bill allows veterans who are active employees in the retirement system to purchase as additional creditable service certain time in the armed forces of the United States

WHO SUPPORTS THE BILL: The Sponsors, Rep. John Graham, Dennis Parker – State Employees Association, Captain William Barlow – Nashua Police, Kate McGovern – NH Retirement System, Wil Thomas – NH Retired Educators Association, Arthur Beaudry – NH State Permanent Fire Fighters Association, Jeffrey Brown - Seabrook Fire Department,

WHO OPPOSES THE BILL: Mert Dyer

TESTIMONY:
Senator Clegg introduced SB 23 and told the committee that the legislation will allow employees who have 10 years vested in state service to buy no more than 5 years in retirement benefits, excluding medical and surgical benefits. Clegg said veterans will buy in with their own money and that there would be no fiscal impact on state, county or local expenditures.

Captain William Barlow, Nashua Police Department, supports SB 23 and said 42 states already allow veterans to purchase retirement credit. Barlow told the committee that current law allows any member in state service [firefighters, teachers, etc] after June 30, 1990 who were formerly members of a public employees retirement system outside of NH the right to purchase credit for the out of state service. Veterans are excluded from this group. Barlow also said that the NH Retirement System stated that the legislation would cost the state about $5,000 per year beginning in 2004 for administrative paperwork.

Kate McGovern, NH Retirement System, told the committee that the formula by which employees would purchase retirement credit is designed such that the employee will pay for both the employer and the employee's share of the cost. This formula will recapture the money that

was not available during the employee's time away from state service. McGovern added that purchased credit will not apply to retirement eligibility.

Wil Thomas, NH Retired Educators Association, said he was originally opposed to the legislation but was swayed by the testimony from the NH Retirement System. Thomas said his concerns are that credits will erode the financial base of the retirement system.

Mert Dyer said he opposed SB 23. Dyer told the committee that RSA 100 A:4a provides for state employees who are drafted or called into service as long as the employee returns to state service. Dyer warned if veterans are allowed to purchase credit, the money deposited to pay for the credit will be completely out of the system within 36 months and therefore will not be able to generate the necessary interest. Dyer said the legislation does not consider the lost interest. Dyer added that the NH Reitrement System is currently in the top tier of reitrement systems in the country. Dyer warned that if SB 23 becomes law, the state may be forced to draw from the General Fund, as its neighbor, Maine, is forced to do.

Jeffrey Brown, Seabrook Fire Chief, supports SB 23. Brown said that in his opinion, United States military service should be considered service to the state of New Hampshire.

During the hearing, a basic calculation was done which described how an employee earning $60,000 per year would be charged $72,000 to purchase 5 years of retirement credit. According to the calculation, the additional credit would increase benefits to the employee by $7,500 per year, thus requiring about 10 years to recapture the investment.

Date: January 22,2003
Time: 1:50 pm
Room: 102 LOB

The Senate Committee on Executive Departments and Administration held a hearing on the following:

SB 23-FN allowing veterans the right to purchase credit in the retirement system for certain service in the armed forces.

Members of Committee present:
Senator Prescott
Senator Cohen
Senator Estabrook
Senator Kenney
Senator Peterson

The Chair, Senator Russell Prescott, opened the hearing.

The prime sponsor of Senate Bill 23, Senator Clegg allowing veterans the right to purchase credit in the retirement system for certain service in the armed forces.

Senator Robert Clegg, Jr., D. 14: Thank you Mr. Chairman and members of the committee. It is a pleasure to be before you. I'm sorry I scared off two of your members. This bill has been up and around before and I think it's pretty obvious. We're looking to allow veterans who have served at least ten years in state services and are vested in our retirement the ability to buy five years, up to five years of credit for being in the military. It's probably the only federal position that people have or the federal job, however you want to call it, where you can't. I just think it's a parody situation in my opinion and also it's some good recognition for the veterans who are serving. There isn't a draft; we've got some great kids joining the military to protect us. To come to work with for ten years, and there are people behind me who can speak much better about veteran's affairs. I only know what I see and that's that it's an honor to have them around. That includes Senator Kenney who is captain or major?

Senator Joseph D. Kenney, D. 3: Major.

Senator Robert Clegg, Jr., D. 14: Buying five years doesn't really cost us anything. I know there's a FN on it. There's no fiscal impact on state, county or local. I don't know why. I don't see it but I'm sure somebody behind us will tell us why there's a fiscal note because it appears to me that the person who wants to buy in has to buy in with their own money. I'll take any questions and do the best I can to answer them.

Senator Russell E. Prescott, D. 23: Senator Estabrook.

Senator Iris Estabrook, D. 21: Here is another beginner ED & A question. They're going to (inaudible) credit towards retirement eligibility and they're not allowed to use it for retired medical benefits eligibility, what is it used for?

Senator Robert Clegg, Jr., D. 14: Increased benefit.

Senator Iris Estabrook, D. 21: At the time that they draw benefits.

Senator Robert Clegg, Jr., D. 14: At the time that you retire you've vested your, you've got ten years in and you buy five you'd then have fifteen but you'd only have ten toward the actual ability to retire from the state. Your benefit increases.

Senator Iris Estabrook, D. 21: I see, thank you.

Senator Russell E. Prescott, D. 23: Any further questions of the committee?

Senator Robert Clegg, Jr., D. 14: By the way that was a beginner Senator's answer.

Senator Russell E. Prescott, D. 23: Thank you Senator Clegg.

Senator Robert Clegg, Jr., D. 14: Thank you.

Senator Russell E. Prescott, D. 23: Senator Boyce?

Senator Robert Clegg, Jr., D. 14: He had to go upstairs to finance.

Senator Russell E. Prescott, D. 23: Thank you. Senator Boyce is in favor of the bill for the record. John Graham. I don't believe he is either but he is a Representative and a sponsor of the bill and wants to be recognized in favor. Is there anyone else who is a sponsor of the bill and wishes to speak? Thank you, I call on Captain William Barlow.

Captain William Barlow, Nashua Police Department: Thank you it is my pleasure. Good afternoon. What I'd like to go ahead, I have something written here but I think I'll just go ahead and address the board on this. I'd like to take this opportunity to go ahead and support certainly Senate Bill 23. As you are aware, this bill would allow veterans to purchase credit in the New Hampshire Retirement Service System for prior service credit in the armed forces of the United States. Presently under the laws and the rules of the New Hampshire Retirement System any member in service after June 30, 1990 who were formerly members of a public employees retirement system in any other state is allowed to purchase prior service credit and for some reason veterans were excluded from this group. I did some research regarding other states retirement systems and I'd like to go ahead and make the board aware of that information. There are 42 other states that allow veterans to purchase credit in their retirement system and New Hampshire is one of eight that does not. Actually I can present to the board a list of those states, how many years they allow their members to purchase and what the actual cost of that purchase would be. To insure that there would be no fiscal impact upon the retirement system, veterans would be asked to purchase this service credit. The New Hampshire Retirement System has stated the bill would actually cost $5000 /year in administrative paper work and that would be the only fiscal impact upon the retirement system if this bill is passed. All of the member's of the New Hampshire Retirement System appreciate the concerns of this committee and the legislature regarding bills that have an effect upon the retirement system. We certainly appreciate your concern when bills would have a fiscal impact upon the retirement system. Many veterans delayed their careers being either police officers, fire fighters, working for the state, schoolteachers. In coming to New Hampshire, I delayed my career in law enforcement in the state of New Hampshire for six years and served in the United States Army. I believe that those individuals, those men and women that serve their country deserve this benefit. Because there's no fiscal impact upon the retirement system and because 42 other states allow their veterans to go ahead and purchase credit, I can't see any reason why New Hampshire would not want to join that group. Thank you.

Senator Russell E. Prescott, D. 23: You term it as a benefit but it's really just an opportunity. Is it not?

Captain Barlow: I use the term benefit because that's the way it's classified. Actually if you look at the information that's given from the retirement system they actually term this as a benefit and it would benefit. Certainly it's going to cost the employee up front cost. You pay today's salary and whatever your contribution rate is but it would be a benefit when that person retires because they would be able to collect a few more dollars in their

retirement. So I actually consider it a benefit. I also consider it something that really should be done for veterans because it seems that they were the only group that was excluded in being allowed to purchase this credit.

Senator Russell E. Prescott, D. 23: Are you aware of any other groups that are allowed to do that today? Purchase credit on the retirement system?

Captain Barlow: Yes. Actually if you check the website for the retirement system it plainly states that if you ever worked for a local, state or federal employee prior to becoming a member of the New Hampshire Retirement System, you're allowed to purchase that credit. The only group that they excluded were veterans and I did my research but I could not find the reason why veterans were excluded in the first place.

Senator Russell E. Prescott, D. 23: Thank you for your testimony. Any questions of the committee? Senator Estabrook.

Senator Iris Estabrook, D. 21: Thank you Mr. Chairman. Perhaps I should ask, as a follow-up to my earlier question, if the benefit is larger when they do begin to draw benefits, how is that without fiscal impact on the retirement system?

Captain Barlow: In my conversation with the individuals that look at the retirement system, if I were to buy my benefits today, Senator, I would give my money to the retirement system, they would invest it as I normally do out of my weekly paycheck. Somewhere down the road I would be looking at retirement and they'd had my money for a certain period of years where they're earning interest, they're earning on their investments. The reason why there's no fiscal impact is that in my weekly paycheck, I pay 9.3% into the retirement system. Sometime when I retire I will retire with a benefit package but what I will be doing in this case is I will be giving the retirement system all the money up front whatever years I would purchase. I would give them that money even though I didn't plan to retire for another, anywhere between 5 to 10 or even longer, so they would have my money up front all in one lump sum or over installment periods and they would invest that as the retirement system is and then when it comes time for me to retire I would collect that benefit.

Senator Iris Estabrook, D. 21: So it is your understanding that the $5000 charge to the employee is not just administrative cost, it's actually potentially down the road cover the benefits that were provided?

Captain Barlow: Actually I didn't understand it that way Senator. What was told to me was, because of the additional paperwork that would be required to

process, because of the veterans that we have working for the state and the local and federal, state, local and county governments that it would cost the retirement system an additional $5000 in administrative paperwork just to handle the paperwork involved in buying this credit. There would be no other fiscal impact because the employee is paying up front and the money is going directly into the retirement system and he's collecting somewhere in the future.

Senator Iris Estabrook, D. 21: Thank you.

Senator Russell E. Prescott, D. 23: Thank you. Any questions from the committee? Thank you for your testimony.

Captain Barlow: Thank you very much.

Senator Russell E. Prescott, D. 23: I call upon Dennis Parker, but you don't want to speak. You are just in favor. Thank you Dennis. Katie McGovern, are you here and do you wish to speak? Thank you for coming.

Kate McGovern of the New Hampshire Retirement System: I'm Katie McGovern of the New Hampshire Retirement System. I wanted to offer a suggestion to the committee concerning the fiscal impact as you've heard from prior speakers, there is no fiscal impact to the system except for the administrative cost associated with processing these benefits. When Buck Consultants calculated there to be no fiscal impact to the trust fund, they made an assumption about line 20 of the bill, which says the contribution rate in effect with respect to the member. What that was meaning to them and in our first meeting meant to us also, it involves the rate that is contributed on behalf of the member both by the member and by the employer. Our rate that we charged the members for prior service involved a formula that requires them to pay both the employers and the employee share. So we wanted to suggest to the committee that that actually be spelled out and be explicit in that line. I did bring language to suggest so that is absolutely clear and the actuary did make their assessment on the basis of understanding that the charge would be for both parts of that contribution.

Senator Russell E. Prescott, D. 23: Any questions of the committee? Senator Peterson.

Senator Andrew R. Peterson, D. 11: I've got two. Probably along the lines of where angels fear to tread. I know over the years the system as allowed for a service in the armed forces and that time to be counted if the employee is in

the roll and then called overseas, very Desert Storm type situation or whatever and then they got back into place. Is that true that that's existing?

Kate McGovern: Yes.

Senator Andrew R. Peterson, D. 11: Thank you. Follow-up. My recollection about this is that the, there's been some reluctance on the part of the legislature in the past, at least in the whole, to approve of credit that's purchased for activities that occur outside of the state of New Hampshire on the theory that the retirement system, the New Hampshire Retirement System, is a not entitlement but a reward for service to the state of New Hampshire. Isn't that generally true in the system?

Kate McGovern: I actually haven't been with the system long enough to know what the rationale was to not allow this before this point. The prior speaker was correct that we do allow out of state purchase for teachers and firefighters, other types of service that was conducted out of state, you are allowed to buy so it is the military that has been excluded.

Senator Andrew R. Peterson, D. 11: Thank you. Mr. Chairman. I believe that's the case in certain instances within the same field where that's been allowed in certain cases. For example, to attract teachers to work in the state, to be given that opportunity for that benefit. The question that I have about this, it's been presented to me previously that if you were to, for example, be in the armed forces from 1985 – 1990 and then you became a police officer and were on duty from 1990-2002 and then you looked to pay the employerand employee contribution to buy back the years from 85 through 90, the system would be actuarially in terms of the fiscal note, made whole but the difference might be that the interest on the money for the 12 year period between or the 17 year depending, between 1985 or 1990 and 2002 would not accrue to the trust fund as it would have if you had been paying in at that time and therein lies a cautionary note in allowing this in all instances. Have I stated that correctly?

Kate McGovern: My understanding of the reason that we calculate the rate based on current salary and current employer rates, for instance the service that was rendered in 85, we're going to charge the current salary and the current employer contribution rates and the actuary is built into that formula, the consideration for the interest. In other words, we don't charge the interest directly 9% /year as we do with the buy backs of prior withdrawn service but for calculating service, say you worked in your town before your town joined the system, you're allowed to buy back time when your town joins the system. Our calculation is based on your current pay, not the pay you earned back in 85 and the current rate that we charge the employers as well

so that's what builds in the, recaptures the money for having not having been in there the entire time. We do make the system whole by using that formula and that's the formula that we wanted to have explicit within the legislation so that we're sure that the, it's clear that people know up front that it is going to be based on their current salary and the current rate of employer and employee share.

Senator Andrew R. Peterson, D. 11: Just one more, Mr. Chairman, thank you. The reason for my question is obvious. I'm interested in the stability of the system for all of the employees, which rely on it. The question I would have though is, do you have or have we heard already, what kind of money we're talking about?

Kate McGovern: It would vary according to the amount of service and the current salary. For instance, someone who had attained a high rank within State Police might be earning a good salary someone who just started as a police officer or schoolteacher might have a lower salary. We're going to base it on their current salary so the number of military years they want to buy is multiplied not only by their current salary but also by the 9.3% that the police officer contributes and the employer share, which is actually scheduled to go up the day the bill becomes effective. So we are going to be recovering the full actuarial cost of allowing these benefits.

Senator Andrew R. Peterson, D. 11: One more follow-up, Mr. Chair. Thank you. I'm sorry to belabor this for everyone involved. The effect of the bill though could be, I'd almost like to have a specific example and be able to see if we're talking about $30,000, $60,000, and $65,000. What's the money here? Is it not true that the effect of the bill and the example that I had given where you had the 85 – 90 and then you had the time in service and so forth, could be for that individual if they bought back the five years from the 80's that they could indeed retire after only 15 years on the force with full retirement or is that incorrect?

Kate McGovern: The full service retirement for group two requires 20 years so if the military time were another 5 years then they could work 15 here and retire with the 20, is my understanding.

Senator Andrew R. Peterson, D. 11: That's your understanding.

Kate McGovern: That's my understanding but I'd like to provide the example to be absolutely clear about that

Senator Andrew R. Peterson, D. 11: I appreciate that. Thank you very much.

Kate McGovern: I will provide that to the committee. I will do a couple of different scenarios for you if that would be helpful.

Senator Andrew R. Peterson, D. 11: Thank you.

Senator Russell E. Prescott, D. 23: Any other questions from the committee? Senator Estabrook.

Senator Iris Estabrook, D. 21: If the bill has language that says that the ...(inaudible)... doesn't credit towards the training and eligibility, doesn't that answer that question that ...(inaudible)...figures on line 20?

Kate McGovern: I will make sure of that. I will answer that question and get back to you.

Senator Iris Estabrook, D. 21: Thank you and I think a specific example in print would be very helpful.

Senator Russell E. Prescott, D. 23: Senator Estabrook.

Senator Iris Estabrook, D. 21: I have this computer version here. On the second page line 22 and line 23. It's a small c. On page one.

Senator Russell E. Prescott, D. 23: Thank you. Could you give me an idea of how they calculate someone's lump sum payment, they take the years of service, if you work from 85-90 as an employee in the United States Army, you take today's wages, you bring it back to those five years and then you bring it forward to today's dollars?

Kate McGovern: We don't convert the dollars, we just use the wages as part of the calculation. So for instance, if you were an employee, you contribute normally 5% and the state contributes 4.14, so you'd be responsible for 9.14% of your current salary multiplied by the amount of time you want to buy. So it's about 10% of your salary per year for each year you want to buy if you're an employee.

Senator Russell E. Prescott, D. 23: But does that make sense in terms of the person that would serve the full twenty years and then someone coming in to buy the five years, if you'd worked fifteen. The person buying the first five years of his retirement would pay less or more because just doing that straight line doesn't make sense to me if you don't bring past dollars to future cost or present cost.

Kate McGovern: The actuary says it works out. To tell you the truth I don't know how to explain their reasoning behind it but they recommended this formula be used. They said it makes the system whole so there, it isn't necessary to calculate the interest and convert the dollars to present dollars because of the way they've constructed the formula.

Senator Russell E. Prescott, D. 23: Could you get an explanation of that?

Kate McGovern: Yes.

Senator Russell E. Prescott, D. 23: Thank you. Senator Peterson.

Senator Andrew R. Peterson, D. 11: Just one other question on that too is just for briefness, I'd also like to thank Senator Estabrook (inaudible) The other issue is the special account which pays the medical benefits and as that does receive it's funds from excess interest, the question I have is how is the special account made whole via this mechanism and you know obviously that's a concern because there is nothing else as (inaudible) as continuing to provide those medical to retirement as I understand it.

Kate McGovern: That's the primary reason for excluding this for eligibility for the medical benefits is they were buying the cost of their annuity only. That it would not entitle them to have access to the medical eligibility. They would have to work the full term in the state of New Hampshire in order to get the medical because exactly for the reason that you stated. The money needs to be in the trust fund in order to generate the excess in order to fund the special account. It enables us to provide the medical benefits.

Senator Andrew R. Peterson, D. 11: Thank you.

Senator Russell E. Prescott, D. 23: If there are no further questions from the committee, thank you for your testimony. I'd like to call upon Will Thomas.

Will Thomas: Good afternoon, Chairman Prescott and members of the ED & A committee. I may wish to change my position after hearing Kate McGovern. I have a prepared statement. It's my first time testifying by the way as a lobbyist for the New Hampshire Retired Educators Association. My name is William E. Thomas and I did retire from teaching at Central High School in Manchester in June of 2002. Incidentally I am a veteran, I served in the navy between 1961 and 1963 onboard the USS Okinowa during the Cuban Missile Crisis so that dates me a little bit in terms of my age. As a lobbyist for the New Hampshire Retired Educators Association I must inform you that the Retired Educators Association opposes passage of Senate Bill 23. Our concern is that this bill would begin to erode the New Hampshire

Retirement System's financial base, however after again hearing Ms. McGovern comment about the employee,ers putting into the system when vets purchase their service up to five years that may be a moot point at this point. At the present time New Hampshire teachers may buy back years of service, as was the case with myself. I began teaching at Central High School in Manchester in 1969 and I left after two years to go to teach and live in Europe, London as a matter of fact. Due to poor health I returned and came back to Central and began teaching again and some twenty years later I bought two years of service. When I left the system, as I understand it, the employer's contribution remained in the system, which strengthened the overall acid/base. This in turn benefited all teachers, especially those who had retired with meager pensions including those female teachers who when pregnant were forced to leave at that time and took much time out of their teaching careers. As one might suspect this adversely affected their retirement incomes. Again as I understood it previous to coming in here today, Senate Bill 23 would allow veterans and or active National Guardsman and Reserve people, people in Reserves to purchase up to five years of membership in the New Hampshire Retirement System. Their employers would not have to contribute to the retirement system again, as I understood that. Also this bill allows out of state federal government employees to join group one if they move to New Hampshire. Again since there's no employers contribution to the system, this further erodes the funding base for current retirees and forty seven or so who intend to retire in the future. So I guess the bottom line is, having these additional people join the retirement system, veterans and former government employees, we thought erode the government's acid/base which would be of utmost importance of all teachers and educators who have paid into the system through the years as have their employers including of course the State of New Hampshire. So at this point I was going to say that our impression was that less money would be entering the system with more people drawing out which would erode our base and have a negative impact on the retirement system and future pensions. That's about it. I have a statement I will give you. Any questions?

(tape change)

Senator Russell E. Prescott, D. 23: Senator Kenney.

Senator Joseph D. Kenney, D. 3: A bunch of questions come rushing out at me. Let's say for instance, that the buyback was five years from the service member into the New Hampshire Retirement System did not impact it in its entirety. The fact that you've served two years or three years in active duty and the fact that you were still teaching, would you be interested in

Will Thomas: In buying more time, at the time? That's a good question. I would have thought perhaps yes, that's a good thing, as long as I understood that the employer was contributing at the same time. Again, correct me if I'm wrong, is that true that under this bill, the employer would contribute? May I ask?

Senator Russell E. Prescott, D. 23: No. No.

Will Thomas: No? Okay.

Senator Joseph D. Kenney, D. 3: Follow-up, which you might not know the answer to this question. It's my understanding that the teaching industry as you will, people teach and they get out of teaching then they go back to it, they'd still be eligible for this retirement system I believe.

Will Thomas: Buying back as a veteran, as myself.

Senator Joseph D. Kenney, D. 3: No, just as teachers.

Will Thomas: Just as teachers? After they retire?

Senator Joseph D. Kenney, D. 3: No. While they're still working throughout their lives, they get into teaching, they get out of teaching. There's a forty year period there when we can all work, but they eventually accumulate enough time where they could probably retire after a twenty year period. I guess my question is, is that with this particular legislation a teacher that is out of teaching if you will, but has military service, would they still be eligible to use this military service if they decide to teach in the future again.

Will Thomas: If this bill passes, yes. As I understand that, they would be able to do so.

Senator Russell E. Prescott, D. 23: Any further question? Senator Peterson.

Senator Andrew R. Peterson, D. 11: Thank you Mr. Chairman. This is just following on what you just said. I'm struggling with understanding how your association reached their conclusion that this bill adds people because on line 4 it seems to require that or have a baseline requirement that you're vested in the system in order to qualify. So it appears to me that only vested members can take advantage of this benefit unless I'm missing something. I understand that you may still need to examine how the cash flows. That's a separate issue. My point is that your testimony is that we're adding people. Is there some other reason that you believe that's the case?

Will Thomas: No. I probably should correct that in terms of my testimony. What we felt was that the veterans, people who like myself who could purchase additional years would be by the way I paid $2600 almost $3000 to buy back my two years that I lost, that I took my money out of the system and went to Europe. I think the concern was that the employer was going to put in their share. So in other words maybe there wasn't going to be more people but there would have been less money that would have satisfied the actuarial estimates of what should be paid out in the future to retiree's.

Senator Andrew R. Peterson, D. 11: What we've heard here is the employee is the one who pays both the employer and the employee share, at least under the recommended clarifying amendment made by the retirement system.

Will Thomas: I probably misunderstood this, the language of this, having just received it just a few days ago, even less. Thank you.

Senator Andrew R. Peterson, D. 11: Thank you. Thank you Mr. Chairman.

Senator Russell E. Prescott, D. 23: Any further questions? Thank you for your testimony. Arthur Beaudry.

Arthur Beaudry: Good afternoon. Members of the committee for the record my name is Arthur Beaudry. I represent the New Hampshire State Permanent Firefighters Retirement Association. For those of you that may not know me, I'll give you some history. I'm a retired fire captain from the City of Manchester, 21 and a half years of service. I also sat on the New Hampshire Retirement System Board of Trustees for thirteen years representing the firefighters on the retirement board of trustees. With that said, I am here in favor of SB 23. I just want to echo all the comments that were stated before me. Most importantly is the section on line 22, section c, that this credible service will not be used for purposes of determining service retirement nor will it be used for the eligibility of the medical subsidy which would take money out of the special account to provide that service. Those are two important parts that I think are in this bill. As far as the cost, I know firefighters that have tried to buy prior service that are already in the system, it's extremely costly, especially for group 2. There was a member that worked with me in my fire station who wanted to buy six years back some time ago and it was going to cost him approximately $40-45,000 to buy six years of service back. So it will be extremely expensive. That's why last year I believe it was, we passed, legislature passed some legislation allowing us to pay in increments to try to alleviate the burden of the employee to pay both the employer and the employee share. This bill does also do that. The one nice thing about that is that credible service does not count until the total amount has been reimbursed to the retirement system. The actuary does

work for the retirement system and they're going, they always lean favorable on the more conservative side so that the retirement system is whole. Again, just a few comments that were made when this bill was presented. This is the third possibly fourth time this bill has been presented to the legislature. Some of the arguments were that government, service retirement was not considered governmental, it's not a pension plan. I argue the point that it's actually a noncontributory pension plan. You work twenty years with the military you get a pension when you retire. The member doesn't have to contribute. Fire fighters as police officers, we are a para military type of organization. It's great to have people that are from the service because they know how to take orders. They know how to carry out tasks. We've seen at least in my department, that we've had less problems with people coming out of the military, coming into the fire service than some of the younger kids, or rank and file people coming in that may have some question on authority. Basically that is my comments and I will answer any questions.

Senator Russell E. Prescott, D. 23: Any questions of Captain Beaudry, retired? Thank you very much for your testimony. Any one else which to testify on behalf of this bill? Representative from a long time ago.

Mert Dyer: No, not so long ago. December 3rd, I had to turn in my license plate and so forth. For the record, I'm Mert Dyer, Peterborough New Hampshire. I rise in opposition to the bill. Senate Bill 23 that's before you and I have spoken against it previously. My first complaint or reason is I don't think your employer, state for example, hires you and maybe they're not paying you the highest salary that's out there, but maybe as an inducement to stay for a longer period of time, they establish a retirement system to retain their employees. If you go to work for another company. I'll back up on that. We have in the statute now 100-A: 4a a provision for those that are drafted or called up. I know one sargent that was called up this past week from the troopers and he can get credit and continue on as long as he comes back to work for the state when he finishes his military duty. So they are protected if they are called into service. My big problem is, people putting money into the system. It doesn't add to the years of retirement nor does it add to the health benefits, but it's a great place to save your money. A retirement system run by the state or any employer is not a private 457 or 401 plan where you put money in and you get out interest. In this instance you look at the first dollar in as the first dollar out, last dollar in last dollar out. An individual will withdraw their total contribution in about 18 months. In another 18 months they will have withdrawn the total contribution that the employer has made for them. That means that in about 36 months, all the money that has been deposited in your account, by you or your employer, has been drawn out. The rest of the money is coming from interest. It's a little like a Ponzi's scheme, because supposedly we're running so that those

deposits you've made are going to provide you with the proper amount of retirement funds. Well, if you add extra money in and it's only in for a short period of time, you're not drawing all of the interest on that money that's needed to fund your plan, your annuity. Where's it going to come from? It's going to come out of the funds of the system, which maybe should have gone to somebody else. I don't approve of any contributions such as this from another, based on your time with some other organization. There are a couple provisions, which were put in two or three years ago for teachers and state employees that really burnt out and they want to get out. They could buy their time to get out, either they could it's only one or two years they want, or the community could. For the community it's a benefit. They could hire a teacher at a lower salary and the one that's burnt out and is having a hard time is able to get out with full retirement. That's a positive thing. But for allowing people to put money into the system, that they earned time with another employer to me is wrong and should be limited to people that are listed in the bill as being members of the system, that is teachers, state employee, some municipal employees, firemen and policemen. And I think it should stay that way. Any questions?

Senator Russell E. Prescott, D. 23: Could you repeat your last sentence please?

Mert Dyer: I'm really not sure what I did say. Could you give me a hint?

Senator Russell E. Prescott, D. 23: When you said you wanted it to stay the same way, you gave a description of how it is now and you don't want it changed.

Mert Dyer: I don't want this particular bill to become law.

Senator Russell E. Prescott, D. 23: I got that. My question is this? The person who wishes to buy back some past time that they did in the military. He's about to retire tomorrow so he wants to buy back 5 years so he can have the benefit of 25 years of retirement funds coming to him monthly. You're saying to me, that if I give you a lump sum today for buying back 5 years of service I'm going to take that in 3 years and then the state pays for the rest, as long as I live?

Mert Dyer: Yes. Because your monthly annuity will use up all the money you've put in in 18 months.

Senator Russell E. Prescott, D. 23: But I'm putting in the full employee and employer amount, so I will take it all in 36.

Mert Dyer: It will take 36 and then.

Senator Russell E. Prescott, D. 23: Can you bring me that information that will prove this because it's our concern as the administration of the retirement system in New Hampshire, and this committee is responsible for it, that we keep the retirement system solid. If what you're saying is true, I do not believe that is keeping the retirement system solvent and I would like to see that information. So before we make our decision on this bill.

Mert Dyer: I will talk to Eric about it and I know the actuary's report talks about the contribution but if you look on b on page 2, parentheses small b in the last part of it "The amount determined by the actuary shall be the product of the member's annual rate of compensation at the time of the payment"

Senator Russell E. Prescott, D. 23: Can you tell me what line number you're on?

Mert Dyer: I don't have a line number on mine. I'm in the.

Mert Dyer: Seventh line down. "The amount determined by the actuary shall be the product of the member's annual rate of compensation at the time of the payment." I think the representative or you asked a question. Is it the rate of pay that they were getting when they were in the service or is it their current salary? To me, this reads, it would be their current, based on their current salary. Multiplied by the contribution rate in effect with respect to the members time of payment and that fluctuates. For firemen it's now up around 8 – 12% and for state employees it's around 5. Multiplied by the number of years of prior service credit purchased so there's no mention in that sentence about lost interest. If you had made that payment when you got out of the service, that money would have earned x amount of interest and there's no mention of the interest that's lost. The only thing that keeps the retirement system going is the interest earned. The contributions do not keep the retirement system solvent. You have to have contributions and

Senator Russell E. Prescott, D. 23: My question when I asked that of Kate McGovern was that you're not bringing the past service dollars to present value. All they're doing is saying you're just going to pay 10% of your current salary and that's how you buy back your time. It was a legitimate question because during that time period, there is interest accrued that goes to the retirement system. You're saying the same thing. Are we on the same page there?

Mert Dyer: Yes.

Senator Russell E. Prescott, D. 23: Any further questions of the committee? Senator Peterson.

Senator Andrew R. Peterson, D. 11: Mert, I think that what we may need to know here is, if you take a person who's completed, for example in group 2, twenty years of service and they're at a certain salary and they can retire anyway but they're going to retire now and they're going to buy back five more years. How much would that add to their monthly retirement check and how does that compare to what the cost would be of having done so at a particular pay grade? I don't know if you could get across that off the top of your head?

Mert Dyer: I couldn't do that but I think we could probably get it done for you, Senator Peterson.

Senator Andrew R. Peterson, D. 11: Thank you. Thank you Mr. Chairman.

Senator Russell E. Prescott, D. 23: Senator Kenney.

Senator Joseph D. Kenney, D. 3: Thank you. Mert, you've obviously dealt with this issue before. The captain from Nashua mentioned that there are 42 other states that allow this to occur. Obviously New Hampshire's Retirement System is probably needing to excel. Do you think in those 42 other states that they do that because they have a better system or they're just trying to add a little bit more incentive to the people who partake in the military?

Mert Dyer: I'll give you my very honest answer. It's a political decision to add that to keep people, to get people to come into the system and allow them to do that. That's why New Hampshire's system is down now because the market's down, but we've been over 100% funded up to a couple years ago and we're in the top tier of solvency in New Hampshire Retirement System. I would bet of those states that you've mentioned, they're in a deficit and states like Massachusetts and Maine have to take money out of the general account each year to add to the retirement system to make their full payments because they don't have money enough and aren't generating enough money. I'm very proud that we were up there. I'm very disappointed that the market was such that we're down but my estimate is about 4-5 years we'll get back to 100%. We're going to have a lot of people retiring, which is going to be a drain. We are going to be having younger people coming in at a lower salary and hopefully the markets will move up 3 points or something like that.

Senator Joseph D. Kenney, D. 3: Follow-up question.

Senator Russell E. Prescott, D. 23: Yes Senator.

Senator Joseph D. Kenney, D. 3: Is there a happy medium here maybe to suggest that a person who is five years in military service might have to retire at a higher age in order to get that retirement benefit from the State of New Hampshire. Would that be a happy medium?

Mert Dyer: To me, no. I just don't want to get involved in it because then you've got the military service and then you might find a group coming along that were school teachers for awhile and they want to get into group 2, they become firemen and they want to buy their group 1 time into group 2 and add to it. It could lead to an awful mixed up mess. I think the gentleman before me said something about teachers. I have a hearing problem. As long as you're vested 10 years, you can leave your job, as long as you leave your money there it's going to draw interest. Your retirement benefit not going to be terribly high because you don't have that many years of service. It's going to be earning 9% at the moment, at the moment it is earning 9% so it is a good place to put some extra money. I know our committee assistant worked for the Concord Police and is a matron and she's been in group 2 for a long time. She's leaving the money there, it's growing in interest, and when she turns 60 she's going to withdraw that money. That's perfectly legitimate to do. If you went back to work, if you left your money there and left teaching and then went back to teaching and you had not withdrawn your money, you would add on to what you'd accumulated. If you had already withdrawn your money when you left the first time, you start all over again. If you're ten years vested and you leave the money in then ten years later you come back, you pick up right where you were before. So I have talked to different people who have been disappointed because they made the wrong decision and took the money and then had to start all over again. Any other questions I could try to answer?

Senator Russell E. Prescott, D. 23: Any other questions of the committee? Seeing none, thank you very much. Senator Peterson.

Senator Andrew R. Peterson, D. 11: I just have a comment Mr. Chairman. I don't know if we've already received it, it's the first hearing I've been at for the Senate ED&A. It might be helpful to this committee to get a snapshot from Kate and her people of the fiscal condition of the funds in a macro way and have that before us as we look at the rest of the bills that come in on specifics.

Senator Russell E. Prescott, D. 23: That is true, there is an opportunity next week. We don't have that many bills to hear. You might want to schedule that. Thank you Representative, Mr. Dyer. Any other people want

to testify on behalf of this bill please come forward and state your name for the record. Whether you're for the bill or against.

(tape change)

Jeffrey Brown,Fire Chief, Seabrook: I'd just like to rise in support of the bill and echo the comments by Mr. Beaudry and I'd also like to add a few clarification facts if I may. It's my opinion that military service in any way you slice it, in service to everyone in the United States including the people in the State of New Hampshire. When I served in the United States Marine Corps, it was my feeling that not only was I a federal employee but I was also a state employee by virtue of the fact that I was in the United States military. The contract, so to speak that I made with the United States government was if I served my full twenty years I would in fact have a retirement at the end of that twenty years. So by definition technically I was a member of the federal retirement system. The statute allows for the purchase of prior service retirement time as a federal employee. It may be a matter of semantics but technically as a member of the United States military I was a federal employee in a retirement system. I don't think this bill is a recruitment tool because it only affects people who have already been in the system for ten years. It's mearly an incentive for the military time that people in the retirement system have already served. I'll use an example of, there are several firefighters in this state that served in the Air Force, that served at Pease Air Force as firefighters and that was their sole job in the military. They were firefighters at Pease Air Force base which was within the State of New Hampshire. Then when they got out of the military after five years or ten years or even twenty years, they joined a fire department in the State of New Hampshire. They could not buy back now, currently, five years into the New Hampshire retirement system as a full time firefighter for the Air Force because it was a military fire department. However, if they served at the Portsmouth Naval Shipyard on the Federal Fire Department they could because they were in a so-called federal retirement system. I go back to the same thing, that to me that contract I had with the United States military was a federal retirement program. Real quick, I did some figures based on my current salary and if this bill were to pass what it would cost me for this extra benefit. It would cost me approximately $71,900

Senator Russell E. Prescott, D. 23: For how many years?

Mr. Brown: For five years based on my current salary. If I were to pay the 9.3% for myself plus 13% employer contribution rate now, that would be 24.3% which came out with my salary of $60,000 would come out to $14,580/year. For the five years would be $71,900. At the end of my twenty

years of service that would boost my retirement rate from a 50% retirement to a 62.5% retirement based on the 2.5%/year times the 5 years. If I retired at a 50% retirement based on $60,000 I would be getting $30,000 /year in retirement benefits. At 62.5% I would be getting $37,500, $7,500 more. So by using those figures real quick that tells me that it would take ten years for me to recoup the initial $71,900 that I invested into the system. I think that's the reason why the actuary finds that there's really no cost to the system for this benefit except for administrative costs. While the $71,900 is in the system over that ten years there is also the 9% that it's gaining that whole time.

Senator Russell E. Prescott, D. 23: Thank you very much for your testimony. I appreciate you coming all the way out from Seabrook.

Mr. Brown: Yes sir, it's a long ride.

Senator Russell E. Prescott, D. 23: Any questions of the committee? Senator Peterson.

Senator Andrew R. Peterson, D. 11: Just one. I appreciate, this is sort of the calculation that I was asking for and of course the other issue is how long in actuarial basis in looking at on average people receive benefits and so forth and is something I don't know. That might be something that would also be interesting to see. Thank you very much.

Mr. Brown: Thank you.

Senator Russell E. Prescott, D. 23: Seeing no more questions, thank you for your testimony. Any others wish to testify on behalf of this bill? Seeing none we'll close the hearing on Senate Bill 23. Thank you all for coming.

Hearing closed at 3:00.

Respectfully submitted.

Pamela Manocchi

Pamela Manocchi
Committee Secretary
February 3, 2003

New Hampshire Retirement System

Legislative Briefing

Agenda

- Overview of NHRS
- The trust fund and the investment strategies
- The benefits for members
- Challenges ahead

Public Employee Pension Plan

Defined Benefit Plan

Benefits are not based on investment returns or how much is contributed to the plan.

Benefits are determined by a specific formula which considers two variables:

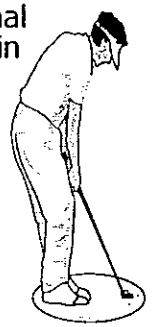
- Salary
- Years of Creditable Service

In contrast to a Defined Contribution Plan

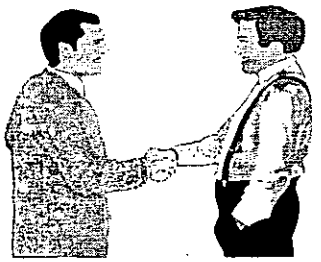
- The amounts deposited on behalf of the member are known but the outcome is unknown.
- The amount the member has for retirement is subject to fluctuations in market value.
- The risk is on the individual member and it is possible to outlive your retirement savings.

Lifetime Pension Security

- NHRS retirees recoup their personal contributions into the System within 3-7 years after retirement.
- For the rest of their lives, they collect a pension that draws on the employer contributions and the growth of the Trust Fund assets.



NHRS benefits can help employers recruit and retain quality employees



NHRS Members

- **47,000** members
  - Group I: Teachers and Employees of the state, school districts, municipalities, counties, and other political sub-divisions.
  - Group II: Police officers and Firefighters
- **16,700** retirees collecting pensions, as of 6/30/02.

NHRS Governance



- RSA 100-A
- Administrative Rules
- Board of Trustees: 13 members, including

House Member William Zolla

Senate Member

The NHRS Trust Fund

Fiduciary Responsibility

RSA 100-A:15 requires that fiduciaries shall discharge their duties ***solely*** in the interest of NHRS participants and beneficiaries.



We're an independent trust

"Retirement System funds are to be used only to benefit the System"

Art. 36-a New Hampshire Constitution

"All of the assets and proceeds, and income therefrom, of the NH retirement system, and all contributions and payments made thereto, shall be held, invested or disbursed in trust solely in the interests of the members and beneficiaries of the system..."

RSA 100-A:15

NHRS Funding

- **Employee Contributions**
  Group II: Police & firefighters = 9.3% of gross pay
  Group I: Employees & teachers = 5% of gross pay
- **Employer Contributions**
  Determined by the Actuary each biennium, varies by employee category
- **Trust Fund investment income**

The NHRS Administrative Budget uses no General Fund money

Highly Rated Public Plan

The NHRS Trust Fund is in the top quartile of pension funds in the country.

Our 7 and 10 year performance was 9.05% and 9.82%, respectively, above the median for similar large public pension funds, for the period ending 6/30/02.

Source: Russell/Mellon Analytical Services

Risk Management

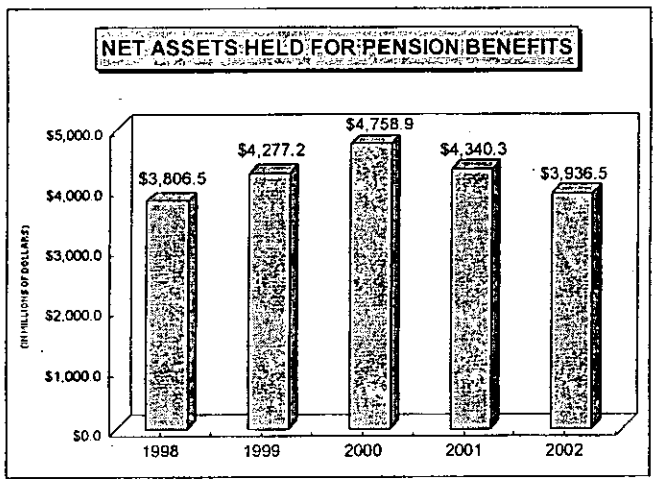
- NHRS consistently gained above other plans; and the losses over time were significantly less.
- The last 2 years, NHRS funds lost 6.7% and 6.4%, while the S&P Index fell 15% and 18%, respectively.

Trust Fund Assets

Investment Strategy

- Active investment managers with recognized experience
- Controlled risk
- Diversification among a broad range of asset classes

Assets valued at $3.9 billion on June 30, 2002



The Prudent Investor Rule

For managing the System assets, the Board of Trustees shall exercise the judgment and care under the circumstances then prevailing, that a prudent person acting in like capacity and familiar with such matters would use in the conduct of a plan of like character and like aims as the system.

The prudent investor rule allows NHRS to invest in a broad range of asset classes to generate higher returns at a moderate level of risk through broad diversification.

Citation: RSA 100-A:15

Board's Investment Guidelines for Asset Allocation

	Actual %	Target %
Domestic equity	44.7	50.0
International equity	8.2	9.0
Domestic fixed income	25.0	18.0
Global fixed income	4.5	3.0
Alternative investments	7.7	10.0
Commercial real estate	9.9	10.0
Total	100.0%	100.0%

How the NHRS Guarantees the Pensions



- An ***actuarial valuation*** is done every 2 years.
- Determines the amount the trust fund will need to pay all its obligations, to pay all eligible members their lifetime pensions.

NHRS Board Policy

The ultimate financial goal as set by the Board is

- To maintain contributions at a relatively stable level over time as a percentage of pay

and

- To continue to improve the funding ratio

The current accrued Funding Ratio is 82.1%

Calculating the Funding Ratio

- The Board and the Actuary monitor the funding progress of the Pension Plan by reviewing the funded ratio of the System each June 30th.
- The Actuary performs biennial valuations to measure the "accrued liability" of the System for accrued benefits and to validate the employer contribution rates.
- The funding ratio is determined by dividing the net assets held in trust for benefits by the accrued liabilities of the System.

Basic Retirement Funding Equation

C + I = B + E

C = Contributions
I = Investment income
B = Benefits paid
E = Expenses (administrative)

What if the earnings fall or expenses rise?

Income: If the fund has not gained as expected, at an annual rate of 9%

And/Or

Expenses: If factors such as longer life expectancy increase the cost of providing life time pensions

Then,

The employer contribution rate shall be increased in order to maintain the funded ratio of assets to liabilities.

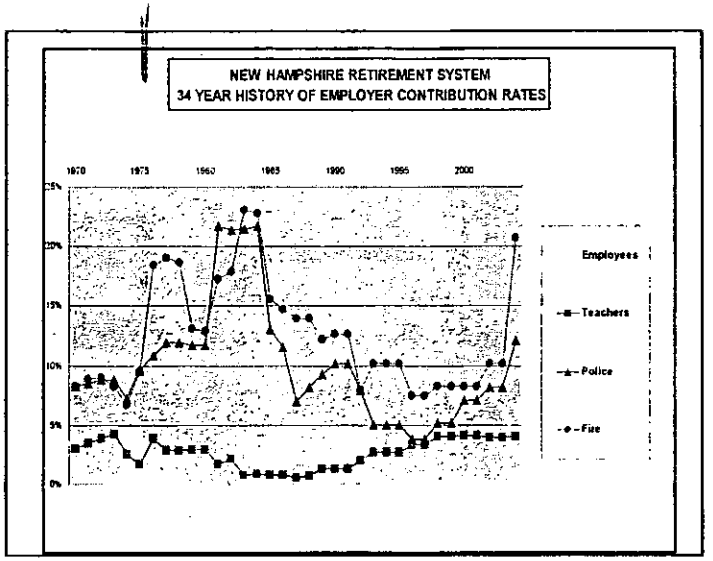
Employer Rate Changes
Effective 7/1/03

Employees: 4.14 to 5.9%

Teachers: District share: 2.58 to 2.64%, State share: 1.39 to 1.42%

Police officers: Municipal share: 5.33 to 7.87%, State share: 2.87 to 4.24%

Firefighters: Municipal share: 6.61 to 13.44%, State share: 3.56 to 7.24%



NHRS
Member Benefits

Types of Retirement

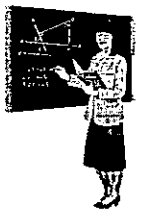
- Service Retirement
- Early Service
- Vested Deferred Retirement
- Ordinary Disability Retirement
- Accidental Disability Retirement

NHRS Terms

- **Average Final Compensation** (AFC) – the average of a member's three highest paid years of service
- **Creditable Service** - Service credit earned as a contributing member and prior service
- **Vesting** – After 10 years of creditable service, a member earns the right to a future pension

Service Retirement for Group I

Service Retirement Eligibility



- ✓ Age 60 or older
- ✓ No minimum service required

Early Service Retirement

- ✓ Minimum of 10 years creditable service
- ✓ Age 50-59 ***OR*** the "Rule of 70"
- ✓ Permanently reduced pension

Group I Pension Calculation Formula

AFC x 1/60 x years of creditable service

Example: 1/60th of **$30,000** = $500
Multiplied by 30 years of service = **$15,000**

This member can receive $15,000 annually, paid in monthly installments, with regular COLA's, except

Group I Reduction

RSA 100-A:5(b) At age 65, pensions for Group I members are reduced by about 10%

The formula for benefit calculation changes from 1/60th of AFC to 1/66th of AFC times the number of years of service

Example: a $15,000 pension would be reduced to $13,636

Service Retirement for Group II

Regular Service Retirement Eligibility:

- ✓ Age 45 or older with 20 years of service

OR



- ✓ Age 60
- ✓ No minimum service required

Group II Pension Calculation Formula

AFC x 2 ½ % x years of creditable service

Example: .025 x **$40,000** = $1000
Multiplied by 20 years of service = **$20,000**

This member can receive $20,000 annually, for life, with regular cost of living adjustments.

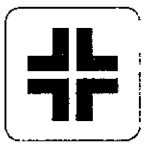
Vested Deferred Retirement

10 or more years of creditable service

- Terminate covered employment
- Do not withdraw accumulated contributions

Pension payable in the future, upon eligibility

Disability Retirement



Ordinary Disability

- Non job-related: for members who have at least 10 years of service

Accidental Disability

Job related incapacity: no minimum service required

For members who become permanently incapacitated from doing their jobs.

Death Benefits before retirement

Ordinary Death (non job related)

With less than 10 years service, the beneficiary receives a lump sum payment ***OR*** With at least ten years of service, the spouse may receive a pension.

Accidental Death (job related)

Pension to the member's spouse, dependent children or parents ***OR*** a lump sum payment to designated beneficiary(ies)

Death Benefits after Retirement

- Members have six choices about how to structure their pension benefits
- They may choose to reduce the amount of their monthly allotment in order to leave a ***Survivorship Pension*** for their beneficiary(ies)

Benefits for NHRS Retirees



- Monthly pension payments for 16,700 retirees & beneficiaries
- Medical Subsidy payments to employers on behalf of retirees & beneficiaries.
- COLAs

The Medical Insurance Subsidy

- The ***Medical Insurance Subsidy*** is an amount paid by NHRS toward eligible retirees' medical insurance premiums, through their former employer's plan
- The retiree is responsible for the difference between the level of subsidy and the cost of the premium – unless it is covered by the former employer.

The Medical Subsidy

NHRS pays a subsidy toward the health insurance premium of eligible retirees, including:

Police & Firefighters – 100-A:52 (started in 1988)

Teachers – 100-A:52-a (started 1/00)

Employees (non-state) – 100-A:52-a (started 1/01)

Employees (state) – 100-A:52-b (started 1/02)

Subsidy for eligible retirees and their spouses

Police & Firefighters, retiring on Service or Ordinary Disability who became Group II members as of 6/30/00. Those who retire on Accidental Disability are covered if they become Group II members as of 7/1/03.

Teachers and Employees who retire as of 7/1/08 with at least 20 years of service. (Group I state employees who retire as of 7/1/04.)

Coverage



- ✓Retired Member
- ✓Spouse
- ✓ Qualifying dependent children with a disability

Current Medical Subsidy Monthly Rates

Type of Plan	Rate
1 Person	$255.60
2 Person	$511.20
1 Person-Medicare supplement	$161.19
2 Person-Medicare supplement	$322.38

The Subsidy level increases by 8% each July1.

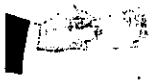
Cost-of-Living Adjustments



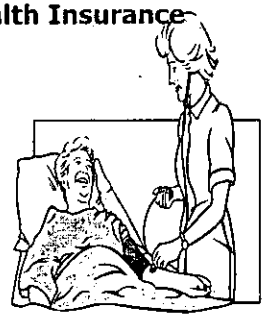
- Approved by Fiscal Committee, funded by the Special Account.
- Permanent addition to pension.
- Must be retired at least 12 months.
- Added to the pensions each July 1, retroactive to the date of retirement.

Benefits from the Special Account

COLAs



Health Insurance

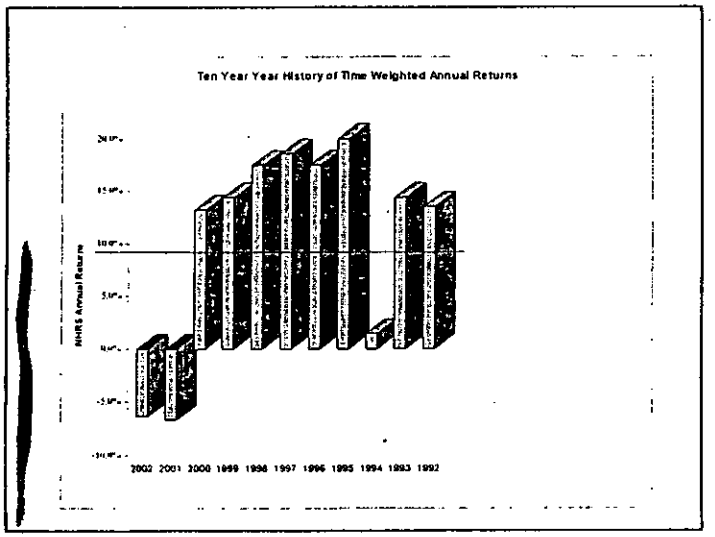


The Special Account

RSA 100-A:16, II(h) established a Special Account to fund additional benefits.

The current actuarial rate of return set by the NHRS Board is 9%. The rate of return above 9.5% goes into the Special Account.

Special Account Balance 6/30/02 = $398.3 million



Special Account Benefits

Because of "The Roaring 90's", the Special Account funded:

- Annual COLAs of 3.5-4.5%
- Extension of the Medical Subsidy for Group II
- Start of the Medical Subsidy for Group I
- Minimum pensions for both Groups
- Spousal allowance for Group II

In the last two years, no new money has gone into the Special Account.

"The Gentleman's Agreement"

Most new benefits are funded from the Special Account.

Even though there is money in each member group's Special Account, there is a "Gentleman's Agreement" to reserve 3 years of 5% COLAs.

Balances in the Special Account
6/30/02

	Employees	Teachers	Police	Fire	Total
	$111.3	**$134.8**	**$56.2**	**$54.6**	**$356.9**
2003 COLA	(12.3)	(13.2)	(7.8)	(7.4)	(40.7)
Reserve 3 yrs @ 5%	(111.8)	(119.8)	(71.4)	(38.2)	(341.2)
Balance	**$(12.8)**	**$1.8**	**$(23)**	**$9**	**$(25)**

Challenges Ahead

Two Core Businesses

- To invest retirement funds
- To provide member retirement services

Three broad goals surround our core businesses:

- To build a foundation to support measurable improvement in member services
- To maintain the Plan's fully-funded status
- To build a learning organization

Priorities over the past two years:

- Transition from a hierarchical organization that impeded cohesive operation
- Preparation for the onslaught of baby boomers in need of member services
- Transition from an antiquated mainframe that cannot support necessary processes for member services
- Transition to a "large fund" that requires changes in investment management

National Demographics

Every 8 seconds... for the next 10 years, a "Baby Boomer" turns 50.

That's **11,000 people per day**.



Source: John Garrett, A.S.A. Segal

Group I Members Eligible to Retire



Service Retirement

Employees 2,986
Teachers 1,268
4,254

1999-2001 = **31% increase**

Over Age 55 and Eligible for Early Service Retirement
6,769

Group II Members Eligible to Retire

Eligible for Service Retirement:

Police Officers	1,235
Firefighters	515
	1,750



13.6% increase from 1999-2001

NHRS Counseling Services



NHRS has 5 Retirement Counselors for 47,000 members.

It would take them 3 years to see the 12,700 who are now eligible to retire.

NHRS Member Services

By Mail: Brochures, Pension Estimates, Calculations for Prior Service Credit or Additional Contributions, Applications for Retirement

By Phone: Any questions? Talk to a counselor, counseling assistant or prior service consultant.

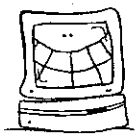
Workshops: Regional information sessions.

On-Line: The NHRS website has many of the brochures and forms, as well as the schedule for all upcoming information sessions.

NHRS Employer Services

- Publication: *Employer Bulletin Board*
- Workshops at NHRS
- Copies of RSA 100-A and The Employer Manual are available in hard copy and posted on the website.
- Literature for distribution to employees is available upon request.

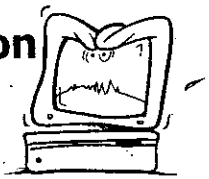
TESS Project



Technological Excellence in Support and Services

- Upgrade of all of NHRS data and benefit calculation systems
- New Employer Reporting System (ERS)

Mainframe Conversion



Since NHRS pensions are based on salary and length of service, accurate information is *critical* for calculating benefits.

- Monthly data from 321 employers, regarding 47,000 members.
- Monthly distribution of pensions for 16,700 retirees and their beneficiaries.

Technological Upgrade



Expansion of web based member and employer services

- Register by e-mail for regional member retirement planning sessions
- Get NHRS information and print out forms.
- Web-based employer reporting and data corrections
- Secure personal benefit calculations

Investment Markets Increasingly Dynamic and Complex

- Investment practices have not kept pace
- Fiduciary Audit recently completed
- Recommendations to be implemented over several years
- On-going assessment and benchmarking of investment processes

Strategic Initiatives in the Investment Business

- Separate investment process from finance and accounting
- Enhance investment & risk management processes
- Independent internal audit function
- Increasing expectations and accountability throughout investment processes

Summary

- NHRS has historically under-invested in its two core businesses
- Demographics of the membership and evolving investment marketplace mandate investment in business process improvement.

Speakers

COMMITTEE HEARING ON SB23

Date: 4/22/03 Place: Rm 102 LOB 1:45pm

NAME: Senator BARNES

Business Address: _____

City: _____ Phone: 271-8474

REPRESENTING: District 17

WISH TO SPEAK: YES ____ NO ✓ Time Needed: _____

Supporting Bill: YES Opposing Bill: _____

PLEASE LEAVE COPY OF ANY PREPARED STATEMENT
WITH COMMITTEE CLERK

SENATE Executive Departments & Administration

Date January 22, 2003 Time ~~1:15~~ 1:45 Public

Hearing on **Bill # SB 23-FN**

allowing veterans the right to purchase credit in the retirement system for certain service in the armed forces.

(Please print) ***Please check box(es) at left that apply.***

SPEAKING?	FAVOR	OPPOSED	NAME	REPRESENTING
✓	☐	☒	DENIS PARKER	SEA
✓	☐	☒	Sen Barry	
✓	☒	☒	Captain William Barlow	Nashua Police
✓	☐	☐	Kate McGovern	NH Retirement System
✓	☑	☑	~~Wt.~~ Will Thomas	NHREA
✓	☑	☐	Arthur Beaudry	NH State Permanent Firefighters Assoc
✓	☐	☑	Rep John Graham	Dist 57 (Bedford)
✓	☑	☑	Sen. Clegg	
✓	☑	☐	Matt Dyer	
✓	☑	☑	Jeffrey Bedard	Fire Chief Seabrook
	☐	☐		
	☐	☐		
	☐	☐		
	☐	☐		
	☐	☐		
	☐	☐		
	☐	☐		
	☐	☐		
	☐	☐		

Testimony

New Hampshire House of Representatives
LEGISLATIVE ADMINISTRATION
Legislative Office Building
Concord, N.H. 03301
(603) 271-3330

Mert Dyer
Chairman

1/23/03

Sen Russell

I still get investors Monthly Reports. I think this one is a fair assessment, most are sending out the same message I am an optomist But I think this Report is a fair and honest view.
at your Hearing I made a Brief statement on the Future. we need To Keep a steady Course and Try not To add any Frills at this Time

Regards
Mert

Hutchens
Investment
Management
Incorporated

January 9, 2003

Mr. J. P. Singh
New Hampshire Retirement System
4 Chenell Dr.
Concord, NH 03301-8509

Dear J.P.:

The stock market struggled through a challenging year in 2002 with the Standard & Poor's 500 Index off by 23.4% and the NASDAQ down 31.5%. Another year of market declines compounded with geopolitical and corporate headlines, makes it easy to lose perspective and patience. There is, however, reason to be optimistic.

Economic growth in the first three quarters of last year was 3% and even though fourth quarter gross domestic product (GDP) figures have yet to be reported, nothing about last quarter suggests a drastic change in the trend. As the Enron, Tyco and other prosecutions proceed, investors seem to be concluding that the scandals are cases of individual greed, not systemic business corruption. During the corporate meltdowns, many companies improved the way their businesses were operated rather than paying undue attention to wild stock price gyrations. Companies reduced costs, increased productivity levels and now corporations such as Microsoft and Cisco sit on tens of billions of dollars in conservatively stockpiled cash. Not only have these companies survived this downturn, but many are in great financial position for the upturn.

As we enter 2003, the White House is proposing legislation to cut taxes by an estimated $675 billion over then next 10 years. President Bush's plan seeks to assure that consumer spending remains strong by accelerating lower income-tax rates that were originally scheduled to take effect mainly in 2004 and 2006 to this year. Business investment is likely to be bolstered by eliminating the taxes investors pay on dividends, which may spur people to purchase equities and as a result, boost the stock market. In an effort to help the lower and middle-income taxpayers, provisions to the tax plan include speeding up a scheduled reduction of the so-called marriage penalty and increasing the current $600 child tax credit to $1,000 in 2003, instead of 2010 under current law.

Furthermore, we believe that stocks are selling at attractive levels when compared to *short rates, bonds* and *historical averages*. For example:

- *Short-term* interest rates currently are the lowest in a generation and a half. Money-market funds began in 1975 and their yields have never been lower. The Federal Reserve's discount rate is the lowest since 1948. In fact, it has been lower only once since 1914, and that was during World War II. In 1934, during the middle of the Great Depression, the discount rate was twice as high as it is today. Short-term rates establish the alternative to stock market returns for investors, and for companies they establish the cost of borrowing.

  For the first time ever, the dividends on the stocks of the Dow Jones Industrial Average pay a 35% higher return than the Merrill Lynch Ready Assets money-market account. Now, investors can get a higher yield than their money-market account and participate in the stock market's upside.

  Normally, investors have to accept a lower dividend yield from stocks to participate in the market. A year ago, the Dow had to rise 2.5% plus its dividend to match the return from a money-market account.

Now, the Dow can actually drop and still beat money-market returns.

- Ultra-blue-chip stocks with a Triple-A rating normally trade at a significant premium to *bonds*. Over the past 10 years, these companies have had earnings yields (the inverse of the P/E ratio) about 25% higher than the yield of the five-year Treasury note. Now, these companies trade at a discount of more than 25% to the five-year note. The last time blue-chip stocks were this inexpensive relative to bonds was in 1993, a great time to have purchased stock.

  We, at Hutchens Investment Management, highlight that from the end of 1992 to 2002, the Standard & Poors 500 produced a holding period return of approximately 142% or an annual return of 9.2% including reinvested dividends.

- The principal pessimistic argument against the stock market is that P/E ratios are higher than *historical averages*. But P/E ratios are only meaningful within the context of interest rates, because interest rates influence both corporate earnings and price-earnings ratios. The five-year Treasury note is now at its lowest yield since 1962, and P/E ratios should be extremely high. However, they're not. To be at the 40-year average the price of the S&P 500 should be at least 20% higher than it is currently.

  Source: Byrne, Gary C. "Comparative Advantage" *Barron's* (January 6, 2003)

Over the market's history investors have witnessed that with great uncertainty comes great opportunity. As we begin a new year headlines speak of the threat of war with Iraq, heightened tensions with North Korea, unrest in oil producing Venezuela and the worldwide battle on terrorism. Nevertheless, a solid foundation has been laid for the stock market to outperform; "Irrational exuberance" has been sedated, capital remains inexpensive and Washington is working on a strong stimulus package.

As we watch 2003 unfold, we continue to work diligently on your behalf and remain proud of our nation's resiliency. Our stable government, solid currency, technological leadership and our capitalistic free market structure continue to provide a foundation for the United States to remain an economic super power.

We wish you all the best in the New Year and as always, feel free to contact us with any questions or concerns that you may have.

Sincerely,

William D. Hutchens, Jr., CFA
President

WDH/km
Enc.

cc: R. Joyal, J. Nevin, T. Minopoli, 16Board of Trustees

Hutchens Investment Management, Inc.

PERFORMANCE HISTORY
NET OF FEES

New Hampshire Retirement System

J.P. Singh

A/C#26-03806

From 10-04-99 to 12-31-02

Time Period			Percent Return Per Period		Cumulative TWR Basis = 100	
			Account	S&P 500 Index	Account	S&P 500 Index
		10-04-99			100.00	100.00
10-04-99	to	12-31-99	22.75	12.95	122.75	112.95
12-31-99	to	12-31-00	-10.24	-9.10	110.19	102.66
12-31-00	to	12-31-01	-18.35	-11.89	89.96	90.46
12-31-01	to	12-31-02	-20.70	-22.10	71.34	70.47
Date to Date						
10-04-99	to	12-31-02	-28.66	-29.53		
Annualized			-9.89	-10.23		

For Account Information call Kitty at 603-526-4104

Report run at 11:52:06 AM on Tuesday, January 21, 2003

Hutchens Investment Management, Inc.

PORTFOLIO APPRAISAL

New Hampshire Retirement System

J.P. Singh

26-03806

December 31, 2002

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Unit Income	Annual Income	Yield
COMMON STOCK									
Basic Materials									
6,000.000	3M Corp.	87.19	523,133	123.30	739,800	1.4	2.480	14,880	2.0
33,000.000	Freeport Mcmor Cop&Gld	16.46	543,206	16.78	553,740	1.0	0.000	0	0.0
13,000.000	PPG Industries	54.59	709,701	50.15	651,950	1.2	1.720	22,360	3.4
			1,776,040		1,945,490	3.6		37,240	1.9
Capital Goods									
65,500.000	General Electric	32.21	2,109,796	24.35	1,594,925	2.9	0.760	49,780	3.1
13,600.000	United Technologies	76.06	1,034,416	61.94	842,384	1.5	0.980	13,328	1.6
			3,144,212		2,437,309	4.5		63,108	2.6
Consumer Cyclical									
43,000.000	AOL Time Warner	12.74	547,850	13.10	563,300	1.0	0.000	0	0.0
10,400.000	Autozone, Inc.	79.01	821,741	70.65	734,760	1.3	0.000	0	0.0
25,000.000	Blockbuster Inc Cl A	21.65	541,250	12.25	306,250	0.6	0.080	2,000	0.7
22,000.000	Fortune Brands	39.70	873,400	46.51	1,023,220	1.9	1.080	23,760	2.3
40,500.000	Liz Claiborne Inc.	26.43	1,070,257	29.65	1,200,825	2.2	0.225	9,112	0.8
76,600.000	TJX Cos Inc.	16.90	1,294,697	19.52	1,495,232	2.7	0.120	9,192	0.6
24,600.000	Viacom, Inc.-CL B	45.20	1,112,004	40.76	1,002,696	1.8	0.000	0	0.0
19,500.000	Wal-Mart Stores	57.78	1,126,720	50.51	984,945	1.8	0.300	5,850	0.6
			7,387,919		7,311,228	13.4		49,914	0.7
Consumer Staples									
11,300.000	Anheuser-Busch	33.73	381,168	48.40	546,920	1.0	0.780	8,814	1.6
28,500.000	ConAgra	22.38	637,861	25.01	712,785	1.3	0.990	28,215	4.0
16,000.000	Procter & Gamble	84.24	1,347,912	85.94	1,375,040	2.5	1.640	26,240	1.9
			2,366,942		2,634,745	4.8		63,269	2.4
Energy									
11,000.000	Apache Corporation	57.05	627,560	56.99	626,890	1.1	0.400	4,400	0.7
12,600.000	ConocoPhillips	55.11	694,385	48.39	609,714	1.1	1.600	20,160	3.3
16,300.000	Exxon Mobil Corp.	42.35	690,305	34.94	569,522	1.0	0.920	14,996	2.6
22,000.000	Noble Corp.	30.50	671,103	35.15	773,300	1.4	0.000	0	0.0
14,000.000	Schlumberger	40.37	565,130	42.09	589,260	1.1	0.750	10,500	1.8
			3,248,483		3,168,686	5.8		50,056	1.6
Financial									
33,300.000	Allstate Corp.	36.57	1,217,742	36.99	1,231,767	2.3	0.840	27,972	2.3
8,500.000	American Int'l Group	64.65	549,525	57.85	491,725	0.9	0.188	1,598	0.3
16,600.000	BankAmerica Corp.	76.20	1,264,888	69.57	1,154,862	2.1	2.560	42,496	3.7
15,000.000	Bear Stearns Cos.	51.41	771,088	59.40	891,000	1.6	0.680	10,200	1.1
41,800.000	Citigroup	44.69	1,867,952	35.19	1,470,942	2.7	0.720	30,096	2.0
20,600.000	Federal Home Loan Mtg.	63.64	1,311,085	59.05	1,216,430	2.2	0.880	18,128	1.5

For Account Information call Kitty at 603-526-4104

Report run at 11:54:09 AM on Tuesday, January 21, 2003

Hutchens Investment Management, Inc.

PORTFOLIO APPRAISAL

New Hampshire Retirement System

J.P. Singh

26-03806

December 31, 2002

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Unit Income	Annual Income	Yield
18,500.000	Federal Nat'l Mtg	77.02	1,424,816	64.33	1,190,105	2.2	1.320	24,420	2.1
26,000.000	J.P. Morgan Chase & Co.	21.19	550,940	24.00	624,000	1.1	1.360	35,360	5.7
45,000.000	Metlife Inc Com	29.43	1,324,143	27.04	1,216,800	2.2	0.210	9,450	0.8
19,000.000	National City Corp.	32.67	620,814	27.32	519,080	1.0	1.220	23,180	4.5
16,000.000	Safeco Corp.	34.04	544,718	34.67	554,720	1.0	0.740	11,840	2.1
37,000.000	Washington Mutual Inc.	30.67	1,134,955	34.53	1,277,610	2.3	1.120	41,440	3.2
			12,582,667		11,839,041	21.7		276,180	2.3
Health Care									
24,000.000	Abbott Labs	49.87	1,196,825	40.00	960,000	1.8	0.940	22,560	2.3
12,000.000	Amgen, Inc	44.32	531,798	48.34	580,080	1.1	0.000	0	0.0
18,800.000	Johnson & Johnson	58.03	1,091,015	53.71	1,009,748	1.9	0.820	15,416	1.5
13,350.000	Merck	68.45	913,841	56.61	755,743	1.4	1.440	19,224	2.5
50,000.000	Pfizer	43.30	2,164,782	30.57	1,528,500	2.8	0.600	30,000	2.0
39,700.000	Schering-Plough Corp.	34.03	1,350,804	22.20	881,340	1.6	0.680	26,996	3.1
18,000.000	UnitedHealth Group Inc.	89.28	1,607,040	83.50	1,503,000	2.8	0.030	540	0.0
12,000.000	Wellpoint Health Ntwk.	51.15	613,819	71.16	853,920	1.6	0.000	0	0.0
			9,469,923		8,072,331	14.8		114,736	1.4
Industrial Services									
35,700.000	McKesson HBOC Inc.	36.42	1,300,037	27.03	964,971	1.8	0.240	8,568	0.9
			1,300,037		964,971	1.8		8,568	0.9
Technology									
51,000.000	Broadcom Corp	17.02	868,158	15.06	768,060	1.4	0.000	0	0.0
111,400.000	Cisco Systems,Inc.	16.21	1,805,295	13.10	1,459,340	2.7	0.000	0	0.0
28,000.000	Dell Computer Corp	23.59	660,405	26.74	748,720	1.4	0.000	0	0.0
14,150.000	Electronic Arts,Inc.	56.57	800,481	49.77	704,245	1.3	0.000	0	0.0
14,300.000	Int'l Business Machines	107.94	1,543,576	77.50	1,108,250	2.0	0.600	8,580	0.8
51,000.000	Intel Corp.	23.86	1,216,824	15.57	794,070	1.5	0.080	4,080	0.5
11,600.000	Lexmark Intl Grp., Inc.	50.65	587,588	60.50	701,800	1.3	0.000	0	0.0
35,000.000	Microsoft Corp.	59.53	2,083,528	51.70	1,809,500	3.3	0.080	2,800	0.2
50,200.000	Sunguard Data Systems	23.24	1,166,812	23.56	1,182,712	2.2	0.000	0	0.0
16,600.000	Synopsys Inc.	51.93	862,058	46.15	766,090	1.4	0.000	0	0.0
29,000.000	Texas Instruments	19.65	569,743	15.01	435,290	0.8	0.085	2,465	0.6
			12,164,468		10,478,077	19.2		17,925	0.2
Transportation									
14,000.000	Canadian National Railway Co.	47.72	668,136	41.56	581,840	1.1	0.548	7,677	1.3
			668,136		581,840	1.1		7,677	1.3
Utilities									
42,000.000	Comcast Corp	33.99	1,427,580	22.59	948,780	1.7	0.000	0	0.0

For Account Information call Kitty at 603-526-4104

Report run at 11:54:09 AM on Tuesday, January 21, 2003

Hutchens Investment Management, Inc.

PORTFOLIO APPRAISAL

New Hampshire Retirement System

J.P. Singh

26-03806

December 31, 2002

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Unit Income	Annual Income	Yield
24,000.000	Exelon Corp.	52.05	1,249,200	52.77	1,266,480	2.3	1.760	42,240	3.3
26,500.000	SBC Communications	45.63	1,209,296	27.11	718,415	1.3	1.080	28,620	4.0
22,000.000	Verizon Communications	53.88	1,185,419	38.75	852,500	1.6	1.540	33,880	4.0
			5,071,495		3,786,175	6.9		104,740	2.8
	COMMON STOCK Total		59,180,322		53,219,894	97.5		793,413	1.5
CASH AND EQUIVALENTS									
	Accrued Dividends		30,473		30,473	0.1	0.000	0	0.0
	Money Market Fund		1,322,143		1,322,143	2.4	1.500	19,832	1.5
			1,352,616		1,352,616	2.5		19,832	1.5
TOTAL PORTFOLIO			60,532,939		54,572,510	100.0		813,245	1.5

For Account Information call Kitty at 603-526-4104

Report run at 11:54:09 AM on Tuesday, January 21, 2003

New Hampshire Retirement System

SERVICE CREDIT

Service credit or "creditable service" is a key variable in determining a member's retirement benefit.

In the NHRS defined benefit plan, pensions are based upon a member's salary and years of service. The formula uses an average of the three highest paid salary years, and the amount of creditable service, based on years and months.

Members earn service credit while they occupy New Hampshire Retirement System (NHRS) covered positions in which they are actively contributing to NHRS on their earnable compensation.

Members should review their annual member statements, which include their amount of creditable service on record with NHRS as of June 30th. Members who are within one or two years of retirement should request an audit of their creditable service record to ensure that their service credit is correct.

Members may also be entitled to prior service credit which is discussed below.

> The formulas used to calculate the costs of each type of service credit are explained below. Currently, all purchases must be made with after-tax dollars. As of 11/9/02, members will be allowed to purchase prior service credit with trustee-to-trustee transfers from 457 or 403(b) plans. Many employers offer these deferred compensation plans, which allow pre-tax payroll deduction for convenient savings. The opportunity to use these funds will allow members purchase their prior service credit, while continuing to defer the taxes. NHRS staff is currently preparing forms for the transfers, which will be posted for your use prior to the implementation date.

Previously Withdrawn Service

Members who withdraw their accumulated contributions and later return to NHRS are entitled to reinstate prior service credit of six months or more. The purchase can occur anytime prior to retirement. Effective July 9, 2002, partial purchases are allowed, in blocks of six months or more.

Cost: the accumulated contributions previously withdrawn, plus the amount of interest that the funds would have earned at NHRS from the date of withdrawal to the date of purchase.

To find out how much it would cost you to purchase prior service credit, print out and complete the form Request for Cost Calculation to Reinstate Previously Withdrawn Service and send it to NHRS.

("**Withdrawn**")

Out-of-state Or Federal Government Service

Members are eligible to transfer, through purchase, public service credit from another state or federal government service credit into NHRS, with two conditions.

The member must join NHRS within ***eighteen months*** after terminating the previous public employment and apply for the credit within ***five years*** after becoming an NHRS member.

Cost = the member's annual compensation at the time of purchase, multiplied by the sum of the member and employer contribution rates in effect at the time of purchase, multiplied by the years of service to be purchased.

Members may purchase the full length of service credit from the other system, or a pro rata portion of that service which is purchasable with the maximum dollar amount that the member withdrew from the other system.

Members who purchase only a pro rata portion of their service cannot purchase the remaining portion at a later date. Members must forfeit any rights to benefits from the other system for the period of service being transferred into NHRS.

In order to transfer previous out-of-state or federal government system service into NHRS Group II (firefighter and police officer members) creditable service, the full certification required to become a full-time firefighter or police officer under the laws of the out-of-state or federal government jurisdiction must meet or exceed the requirements as an NHRS firefighter or police officer; otherwise, the service will be credited as Group I service in NHRS.

Print out forms to apply for out-of-state service credit:

Employees - Group I (EOSS)

Police & Firefighters - Group II (FOSS)

Teachers, Administrative Personnel and Superintendents - Group I (TOSS)

To obtain the form for out-of-state teachers and school administrators, call NHRS 271-3351 x232

Service before The Employer Elected to Participate in NHRS

Cities, towns, counties, school districts, and other political sub-divisions may elect to participate in NHRS for their employees. When the employer joins NHRS, all new full time

employees must be enrolled in NHRS.

Those who were hired before the employer joined have the option to become members, and they may purchase their prior service credit if they were employed full time by the employer prior to the date the employer joined NHRS, and they joined NHRS within one year after the employer did. The member may purchase the prior service if the employer is unable or unwilling to make the purchase.

Cost: the member's annual compensation at the time of purchase, multiplied by the sum of the member and employer contribution rates in effect at the time of purchase, multiplied by the years of service to be purchased.

Both the employer and the member have the option of purchasing all or only a portion of the prior service. The employer may amortize the payment from two to twenty years; however, the member must make full payment for the period of service being purchased.

Print out form for service credit before the Employer joined NHRS

(" **Modifications**")

Temporary, Non-permanent, Or Unclassified Employment And Probationary Period Service

Members who were employed full-time by an NHRS participating employer for at least six months in a non-permanent, temporary, unclassified, or non-classified position prior to being enrolled in NHRS may purchase service credit for that period of employment.

Employees who meet the eligibility requirements for membership in NHRS must now be enrolled immediately. Before July 1, 1989 some employers waited to enroll members until after a six month probationary period. Members are eligible to purchase that prior service.

Cost: the member's annual compensation at the time of purchase, multiplied by the sum of member and employer contribution rates in effect at the time of purchase, multiplied by the years of service to be purchased. The purchase can be made anytime prior to retirement.

Print out form for cost calculation of service credit for Non-Permanent employment

(" **Probationary**")

Employer Enrollment Oversight

Employer enrollment oversight refers to a period of time when a member should have been enrolled in NHRS but was not. A member is entitled to employer enrollment oversight credit under the following conditions:

Member files a claim for oversight credit within three years after the end of the period for

which the enrollment oversight credit is requested, unless the employer agrees to the oversight and waives the statute of limitations.

Cost is based on the member's annual compensation at the time of purchase, multiplied by the sum of member and employer contribution rates in effect at the time of purchase, multiplied by the years of service to be purchased.

The member is responsible for paying 50% of the cost and the employer is responsible for paying the remaining 50%. The member can make one lump sum payment or annual payments, from two to six years, on an installment basis. The purchase must be made prior to the member's effective date of retirement.

Print out form for service credit for Employer Enrollment Oversight

(" **Oversight**")

Military Duty

Service credit for military duty is available to members if the member leaves employment with an NHRS participating employer to enter directly into the United States Armed Forces, and returns to NHRS covered employment within one year following the termination of military duty.

If the military duty is three years or less; there is no cost to the member for the service credit. If their military duty is more than three years, the member must pay to NHRS an amount equal to any member contributions that the member would have paid had the member been employed in an NHRS covered position during the period of military duty.

Send a copy of DD214 to
NHRS Prior Service Credit
4 Chenell Dr.
Concord, NH 03301

Workers' Compensation

Members who receive weekly Workers' Compensation payments under RSA 281-A may apply for up to one year of service credit, ***at no cost***.

Service credit for Workers' Compensation is not granted automatically. Members must file with NHRS a Department of Labor Memo of Payment of Disability Compensation form, verifying the first and last payment, no later than one year after the date of each new, unrelated injury. Credit will not be granted to members who apply for this type of service credit beyond the one year period. To apply, send a cover letter with your Labor Department memos of payment to:

NHRS Prior Service Credit

4 Chenell Dr.
Concord, NH 03301

Cost calculations for purchase of prior service credit are free from NHRS.

If you have questions about service credit, contact the NHRS prior service credit consultant by calling (603) 271-3351, extension 232. Toll-free 1-877-917-6477 x 232.

Table of Contents

Captain William R. Barlow
Nashua Police Department
PO Box 785
Nashua, NH 03061

1/24/2003

Chairman: Senator Russell E. Prescott
ED&A Committee
Room 102
Legislative Office Building
33 North State St.
Concord, NH 03301

Dear Senator Prescott;

I wish to express my appreciation to you and the members of the committee for the opportunity to testify on SB 23. There appeared to be an excellent exchange of information between the individuals testifying and the committee.

I wanted to point out that the bill was written with the intent to have no negative impact upon the retirement system. After learning of the cost to the members to purchase this credit, I was shocked to learn how expensive this would be. I believe the information given by Ms. McGovern from the NH Retirement System regarding the contribution rates would cause NH to be the state with the highest cost for the employee to purchase credit out of all 42 states I have information from.

It would cost teachers 9.96%, police officers 21.4% and firefighters 29.98% of their present salary to purchase one year of credit. To compare this with other states, South Carolina charging 16% would be the second highest. The percentage rates are so high that depending upon your age, health and anticipated retirement date, it would not be fiscally sound to purchase the credit.

This should be examined further to see if the rates that the employee would be charged could be lowered. A majority of the states don't ask the employee to go bankrupt to purchase the credit. Research has shown that some states give the credit at no charge or ask the veteran to pay a reasonable rate for the year of credit. Presently, if an employee leaves the NH Retirement System to enter the military and then returns to the retirement system they receive up to to 3 years of credit at no charge.

The bill also states a member not be allowed to purchase the credit until vested in the retirement system, this would mean 10 years. I suggest that we allow the member to purchase the time as soon as their in the retirement system, this would be better for the member and the system would have the money sooner to earn interest.

I thank you and the committee for their time with this bill.

Sincerely

Captain William R. Barlow

William R. Barlow
56 Reynolds Dr.
Peterborough, NH 03458

Chairman: Senator Russell E. Prescott
Executive Departments & Administration Committee
Room 102
Legislative Office Building
33 North State St.
Concord, NH 03301

Dear Senator Russell E. Prescott,

I would like to take this opportunity to express my support for Senate Bill 23-FN. As you are aware this bill would allow veterans who are active members in the NH Retirement System the right to purchase credit in the retirement system for prior service in the armed forces.

Presently the laws regarding the NH Retirement System allow any member in service after June 30, 1990, who were formerly members of a public employees retirement system (federal, state, or local) outside of NH the right to purchase credit for the out of state service. Veterans who have served in the armed forces of the United States are excluded from this group.

The rule that permits members to purchase credit in the NH Retirement System for this prior service is not unusual, and is done in both the public and private sector across the country. What is rare is to exclude veterans who have served their country in the armed forces. There are 42 states that allow their veterans to purchase prior service credit in their retirement system.

To ensure that there would be no fiscal impact upon the retirement system, veterans would purchase the prior service credit. The NH Retirement System has stated this bill would only increase expenditures by $5,000 per year starting in FY 2004, for administrative paperwork. There will be no fiscal impact on state, county, and local revenue.

All members of the NH Retirement System appreciate your concern regarding any changes that would affect the fiscal soundness of the system. But not to include veterans in the group of members purchasing prior service credit especially when there is no fiscal impact upon the retirement system is a discredit to all veterans of NH.

Many veterans delayed their careers several years because of the commitment they made to serve in the armed forces of the United States. It is time that we express our thanks to these men and women who have served their country. I am respectfully requesting you support this bill.

Respectfully,

William R. Barlow

States that Allow Prior Service Credit for Veterans

State	Years	Cost
New York	3	3 % of Present Salary
Massachusetts	4	10 % of First Year Salary
Iowa	Unlimited	Determined by the Actuary
Kansas	5	Determined by the Actuary
Maryland	5	Present Contribution Rate
Connecticut	10	Determined by the Actuary
South Carolina	6	16 % of Present Salary
Michigan	5	5 % of Highest Salary
Montana	5	Determined by the Actuary
Oregon	4	Determined by the Actuary
Mississippi	4	No Cost
Ohio	5	Present Contribution Rate
Alaska	5	6 % of Salary
Virginia	5	15 % of Salary
New Jersey	10	Present Contribution Rate
Arkansas	5	1 Month Pay
Florida	Unlimited	Determined by the Actuary
Alabama	4	Present Contribution Rate
Arizona	Unlimited	Present Contribution Rate
California	Unlimited	Determined by the Actuary
Colorado	5	15 % of Salary
Louisiana	4	First Year Salary Plus 4 % Interest
Illinois	2	First Year Salary Plus Interest
Minnesota	5	Determined by the Actuary
Missouri	4	Determined by the Actuary
New Mexico	5	Present Contribution Rate
North Dakota	4	Determined by the Actuary
Oklahoma	5	No Cost
Pennsylvania	5	Avg. of First 3 Years Salary X Contribution Rate
Rhode Island	4	Determined by the Actuary
South Dakota	10	Present Salary at Contribution Rate times 75 %
Texas	5	First Year Salary plus 10 % Interest
West Virginia	5	Determined by the Actuary
Utah	4	Determined by the Actuary
Wisconsin	5	Determined by the Actuary
Tennessee	4	10.5 % of Present Salary
Vermont	3	Determined by the Actuary
Wyoming	5	Determined by the Actuary
Nevada	5	Determined by the Actuary
Delaware	5	Present Contribution Rate
Maine	4	Determined by the Actuary
North Carolina	Unlimited	Determined by the Actuary

States that Don't Allow Credit

New Hampshire
Idaho
Indiana
Kentucky
Nebraska
Washington
Georgia
Hawaii

NEW HAMPSHIRE RETIREMENT SYSTEM

ERIC HENRY
Executive Director

J. P. SINGH
Director of Finance



The Granite State

The actuary's statement shall be based on the product of the member's annual rate of compensation at the time of buy-in, multiplied by the sum of the member and employer contribution rates in effect with respect to the member at the time of buy-in, multiplied by the number of years of prior service credit bought.

4 CHENELL DRIVE, CONCORD, NEW HAMPSHIRE 03301-8509
TELEPHONE (603) 271-3351 OFFICE HOURS 8:00-4:00
TDD Access: Relay NH 1-800-735-2964

To: Senator Prescott, Chairperson, Executive Departments & Administration Comm.

From: William E. Thomas, NH Retired Educators Association (NHREA)

Re: Senate Bill 23-FN (allowing veterans the right to purchase credit in the retirement system for certain service in the armed forces)

My name is William E. Thomas and I retired from teaching in June of 2002. I am also a veteran of the US Navy who served between 1961 and 1963, during the Cuban Missile Crisis on board the helicopter carrier, the USS Okinawa (LPH-3).

As a lobbyist for the NH Retired Educators Association, I must inform you that the Retired Educators Association opposes passage of SB 23. Our concern is that this bill would begin to erode the NH Retirement System's financial base.

At the present time, NH teachers may "buy back" years of service as was the case with me. I began teaching at Central High School in Manchester in 1969 and left after two years to go abroad to live and teach in London. Upon leaving in 1971, I did withdraw my two years of NHRS contributions. Due to health problems, I returned to Central to again teach. Some 20 years later, I decided to "buy back" those two years (at a cost of $2663.62). Furthermore, when I left the NHRS, the employers' contributions remained in the system which strengthened the overall asset base. This, in turn, benefitted all teachers, especially those who had retired with meager pensions, including pregnant women who were forced to take time out of their teaching careers. As one might suspect, this adversely impacted their final retirement incomes.

Senate Bill 23 would allow veterans and/or active national guardsmen or reserves to purchase up to five (5) years of membership in the NHRS. Moreover, their employers would not have to contribute to the Retirement System. Also, this bill allows out of state federal government employees to join Group 1 if they move to NH. Again, since there is no employers' contribution to the NHRS, this further erodes the funding base for current retirees and those 47,000 or so who intend to retire in the future.

Having these additional people join the NHRS--veterans and former government employees, would further erode the System's asset base which is of utmost importance to all teachers and educators who have paid into the NHRS as have their employers, including the state government of NH.

Finally, to reiterate, nowhere in this bill does it say that the veterans/federal government workers' employers or the NH state government must contribute to the NHRS if the veterans/federal workers decide to purchase credit for service. Thus, less money is entering the Retirement System, and more people will eventually be drawing money out of it. Obviously, this erodes the base of the Retirement System as there will be less money but more people drawing on it. Thank you.

William E. Thomas, NHREA
ww thomas @ attbi. com

** TOTAL PAGE.03 **

EDTH

BUCK CONSULTANTS
A Mellon Consulting Company
500 Plaza Drive
Secaucus, New Jersey 07096-1533

SB 23

December 10, 2002

Mr. Eric Henry
Executive Director
New Hampshire Retirement System
4 Chenell Drive
Concord, New Hampshire 03301-8509

Re: **LSR 03-0284**

Dear Eric:

As requested, we have reviewed LSR 03-0284 which would allow certain veterans who are active members in the retirement system to purchase as additional creditable service certain time in the armed forces of the United States.

There will be no fiscal impact for this legislation since the employee pays the entire cost for the prior service.

It is likely that this legislation will increase the number of calculations to purchase additional creditable service performed by the NHRS staff. We estimate an additional annual cost of $5,000 for the possible additional NHRS administration associated with this legislation.

If you have any questions, please do not hesitate to call.

Very truly yours,

Lisa

Lisa A. Witten
Principal, Consulting Actuary

LAW:BN
DOC:Lm0219LW

cc Board of Trustees

TO 9160327169806 P.03/05
DEC 11 2002 14:54 FR

Committee Report

STATE OF NEW HAMPSHIRE

SENATE

REPORT OF THE COMMITTEE

Date: February 5, 2003

THE COMMITTEE ON Executive Departments and Administration

to which was referred Senate Bill 23-FN

AN ACT allowing veterans the right to purchase credit in the retirement system for certain service in the armed forces.

VOTE: 4-0

2003-0202s

Having considered the same, report the same with the following amendment and recommend that the bill: **AS AMENDED OUGHT TO PASS.**

Senator Joseph D. Kenney
For the Committee

SB23 Docket

Next|Prev|Results List|Main|Bill Status

Bill Title: allowing veterans the right to purchase credit in the retirement system for certain service in the armed forces.

Date	Body	Description
1/9/2003	S	Introduced and Ref. to Executive Departments & Administration; SJ 2, Pg.24
1/14/2003	S	Hearing; January 22, 2003, Room 102, LOB, 1:45 p.m.; SC3
2/7/2003	S	Committee Report; Ought to Pass with Amendment {0202}, [02/13/03]; SC9, Pg.4
2/13/2003	S	Committee Amendment {0202}, AA, VV; Ought to Pass with Amendment, MA, VV; SJ 5, Pg.48
2/13/2003	S	Refer to Finance [Rule 26]; SJ 5, Pg.48
3/28/2003	S	Committee Report; Ought to Pass, [04/03/03]; SC16
4/3/2003	S	Ought to Pass, [Not Voted On]; SJ 11, Pg.238
4/3/2003	S	Sen. D'Allesandro Floor Amendment{1097},(New Title),[Not Voted On]; SJ 11, Pg.238-239
4/3/2003	S	Sen. Green Moved Laid On Table, MA, VV; SJ 11, Pg.239
4/10/2003	S	Sen. Clegg Moved Remove From Table, MA, VV; SJ 12, Pg.299
4/10/2003	S	Sen. D'Allesandro Floor Amendment{1097}, AF, VV; SJ 12, Pg.299
4/10/2003	S	Ought to Pass, MA, VV; OT3rdg; SJ 12, Pg.299
4/10/2003	S	Passed by 3rd Reading Resolution; SJ 12, Pg.310
4/10/2003	H	Introduced and ref to Exec Depts & Admin; HJ 34, p1144 (See Perm Journal also)
4/14/2003	H	Report due on 5/8/2003
4/15/2003	H	Hearing May 1 10:00 RM100,St House
4/30/2003	H	Subcom Work Session May 6 9:00 RM100, St House
5/6/2003	H	Maj Report OTP/AM for May 15 (Vote 15-1;CC)
5/6/2003	H	Prop Comm Am{1498}; HC 39, p1243
5/15/2003	H	Passed with Am and ref to Finance; HJ 42, p1312-1313
5/15/2003	H	Fin Div I Subcom Work & Exec Session May 21 1:00 RM209,LOB
5/23/2003	H	Fin Div I Subcom Work & Exec Sess May 27 1:00 RMs209,LOB
5/28/2003	H	Fin Maj Report OTP for June 5 (Vote 18-0;CC)
6/5/2003	H	Passed; HJ 47, p1497 + 1513
6/5/2003	S	Sen. Prescott Concur with House Amendment, MA, VV; SJ 19, Pg.644
6/5/2003	H	Enrolled Am{2070}, Adopted; HJ 51, p1604
6/24/2003	S	Enrolled Bill Amendment {2070}, Adopted;
6/30/2003	H	Enrolled;
6/30/2003	S	Enrolled;
7/7/2003	S	Signed by the Governor on 7/7/2003 Eff- 7/1/2003 Chap- 0234

Next|Prev|Results List|Main|Bill Status

Docket Abbreviations