



New Hampshire Retirement System

FY 26 -27 Budget Presentation

House Finance Committee, Division I

Jan Goodwin, Executive Director
Marie Mullen, Director of Finance

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- **Challenges/Opportunities**
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NHRS Highlights

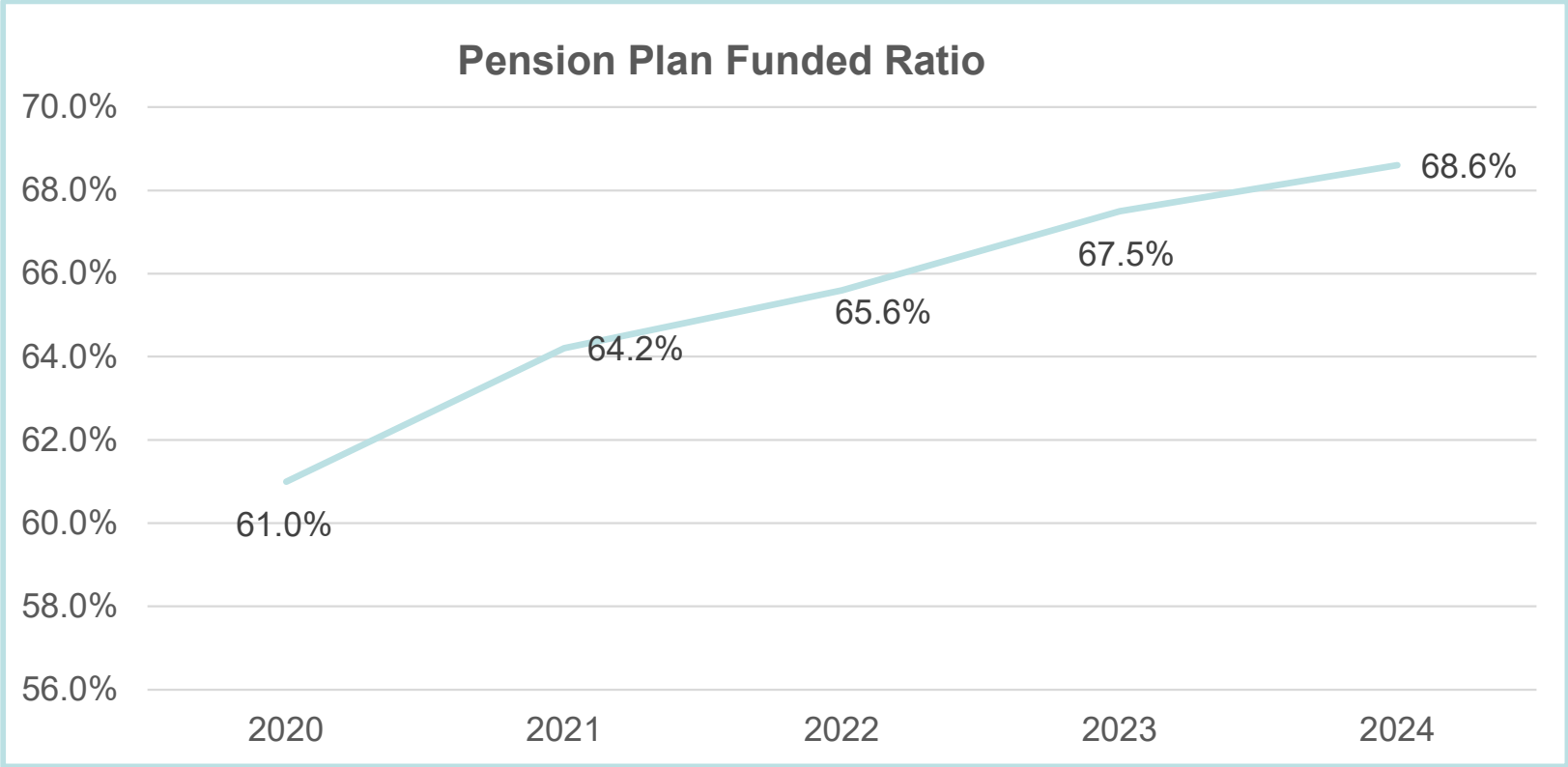


- Certified employer contribution rates for fiscal years (FY) 2026 and 2027. For the second consecutive two-year rate cycle, total employer contribution rates for all four membership classifications – Employee, Teacher, Police, and Fire – will decrease as a percentage of covered payroll. Because the member payroll increases annually, the total dollar amount paid to NHRS by employers is expected to increase slightly.
- Exceeded \$1 billion in pension benefit payments in FY 2024 for the first time in NHRS' 57-year history. With close to 80 percent of retirees and beneficiaries living in-state, most of these retirement benefits support local economic activity.
- Transitioned to an updated pension administration system (PAS) platform, which replaced a 20-year-old system.
- Issued the June 30, 2024, financial statements, and the GASB 68 and 75 reports with unmodified (clean) opinions.

NHRS Highlights



- The funded ratio on the pension plan was 68.6% in FY 2024, up from 67.5% in FY 2023 and is trending favorably over the past five years.



NHRS Highlights



- Realized an 8.8% return on investments in the fiscal year ended June 30, 2024. The three-year, five-year, 10-year, and 25-year returns for the periods ended June 30, 2024, were 3.4%, 7.7%, 7.0%, and 6.3%, respectively. All returns are net of fees. Compared to the members in the Callan Public Fund Sponsor – Large Universe (greater than \$1 billion), NHRS performed better than 70% of its peers over the past decade.
- The Board in June voted to adopt revised actuarial assumptions based on the results of a four-year experience study conducted by its consulting actuary. In addition to adjustments to demographic assumptions, the actuary recommended increasing the payroll growth assumption by 0.25 percent to reflect price inflation growth over the past four years. For the first time in more than 20 years, the actuary did not recommend reducing the assumed rate of investment return, which is currently 6.75 percent.

Ongoing initiatives to improve efficiency at NHRS

- Revamped the strategic planning process and developed a three-year strategic plan for FYs 2025-27.
- Modified the fund's asset allocation, reducing the allocation to global equities from 50% to 40%, increasing the allocation to private credit by 5%, allocating 5% to private infrastructure, a new asset category for NHRS that is expected to reduce volatility and provide steady cash flows. The allocation changes are being phased in, as appropriate, over a multi-year timeframe that began July 1, 2024.
- Launched upgrade of NHRS' member and retiree online portal, *My Account*.
- Maintained and expanded various cyber-security enhancements designed to protect the security of our system and member/retiree personal information.

NHRS Challenges and Opportunities



Significant challenges/opportunities faced by NHRS

- Build on pension administration system (PAS) implementation by monitoring member and employer service levels and developing a long-term plan for future service enhancements.
- Continue to review – and adjust as needed – the investment portfolio to meet or exceed the retirement system’s assumed rate of return of 6.75% over the long term, while at the same time managing risk, return, and liquidity.

Impact of recent legislation on NHRS

- Eight bills related to RSA 100-A were enacted by the New Hampshire Legislature and signed into law by the Governor in the 2023-24 legislative session. Several of the benefit-related changes required significant pension database modifications.

NHRS 26-27 Budget Review



FY	2024*	2023	2022
Operations Budget	\$10.6M	\$10.1M	\$9.6M
Operations Actual	\$10.9M	\$9.5M	\$8.8M
PGV3 Budget	\$2.4M	\$2.1M	\$2.7M
PGV3 Actual	\$2.8M	\$2.2M	\$1.4M
Total NHRS Budget	\$13.0M	\$12.2M	\$12.3M
Total NHRS Actual	\$13.7M	\$11.7M	\$10.2M

**Actual expenses exceeded budget due to balances that came forward for prior year commitments.*

NHRS 26-27 Budget Review



- The FY 2026-2027 NHRS operating budget was approved by the Board of Trustees.
- Governor's Recommended Budget includes General Funds related to HB2 provision for Group II members.
- Created as part of a three-year strategic plan to address deferred initiatives and areas put on hold over the past five years due to the focus on the major upgrade to our 20-year-old pension administration software ("PGV3").
- The two-year, \$71.6 million budget includes a 78% increase for FY 2026 over FY 2025 and a 95% increase for FY 2027 over FY 2026, primarily driven by Group II benefit changes, IT upgrades, modernization projects, and salaries and benefits to support new staff positions aligned with the strategic plan.

NHRS 26-27 Budget Review

NEW HAMPSHIRE RETIREMENT SYSTEM BUDGET REVIEW						
STATUTORY ADMINISTRATIVE BUDGET						
FY 2025 Through FY 2027						
	(A)	(B)	(C)	(D)	(E)	
	FY 2025	FY 2026	FY 2026	FY 2027	FY 2027	
	Adj Auth	Agency	Governor's	Agency	Governor's	
	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
1	Statutory Budget					
2	Salaries & Benefits:	\$8,898,138	\$11,822,733	\$11,822,733	\$12,975,755	\$12,975,755
3	Information Technology:					
4	Technology-Software & Hardware	\$2,918,000	\$4,288,000	\$4,288,000	\$3,300,000	\$3,300,000
5	All Other Administrative Costs:					
6	Current Expenses	\$232,075	\$295,875	\$295,875	\$246,025	\$246,025
7	Rents & Leases	\$461,000	\$473,200	\$473,200	\$505,840	\$505,840
8	Utilities	\$165,000	\$212,000	\$212,000	\$246,000	\$246,000
9	Building Maintenance	\$110,000	\$133,000	\$133,000	\$151,000	\$151,000
10	Equipment	\$28,950	\$80,000	\$80,000	\$82,500	\$82,500
11	Consultants	\$250,000	\$605,000	\$605,000	\$565,000	\$565,000
12	Retiree Health Care	\$165,200	\$174,000	\$5,174,000	\$208,600	\$28,108,600
13	Education & Training	\$85,500	\$169,900	\$169,900	\$175,500	\$175,500
14	Other	\$318,415	\$1,001,305	\$1,001,305	\$1,015,755	\$1,015,755
15	Subtotal All Other Adm Costs	\$1,816,140	\$3,144,280	\$8,144,280	\$3,196,220	\$31,096,220
16	Total	\$13,632,278	\$19,255,013	\$24,255,013	\$19,471,975	\$47,371,975
17		<i>% Change</i>	41%	78%	1%	95%
	Funding					
18	Other Funds (Trust Fund)	\$13,632,278	\$19,255,013	\$19,255,013	\$19,471,975	\$19,471,975
19	General Funds	\$0	\$0	\$5,000,000	\$0	\$27,900,000

NHRS FYs 2025 - 2027 Strategic Plan

Goals and Strategies	Vital Signs/ Metrics	E Team Lead(s)	Timing/ Milestones	Budget: People, Systems, Infrastructure
Goal 1: Build on the new pension administration IT platform and implement a longer-term retirement operations strategy and plan.				
1. Achieve timeline for stability with full utilization of PGV3 as intended/described.	Multiple metrics, e.g. <ul style="list-style-type: none"> • Critical PIRs no longer open. • Up-to-date employer reporting on consistent basis 		PIRS: 11/24 Employer Reporting: 12/24	X
2. Return to “normal” operations.	Meeting expected normal process metrics – KPIs and tolerances		6/25	X
3. Effectively monitor and improve member and employer service levels.	Monitoring dashboards implemented – internal process metrics, member/employer surveys		Initial: 6/24 Enhanced: 6/25	X
4. Develop and implement a long-term plan for future service enhancements.	Long-term member and employer services enhancement roadmap completed		Plan complete: 6/27	X

Goals and Strategies	Vital Signs/ Metrics	E Team Lead(s)	Timing/ Milestones	Budget: People, Systems, Infrastructure
Goal 2: Improve organizational effectiveness and accountability.				
1. Improve discipline in vetting new initiatives through a consistently applied Critical Issue and Options summary.	Adopt and adapt critical issues option summaries (see Exhibit A)		12/24	
2. Manage the E Team meeting agenda to improve meeting preparation.	Initiate more structured E Team meeting agendas		12/24	
3. Improve operational oversight through more integrated reporting systems and exception reporting.	Develop an overall business IT plan		12/25	X
	Explore technology integration options		6/27	X
	Revisit performance measure/methodology tracking using metrics		6/27	X
4. Consider revising the organization structure to better align with the system's vital functions (i.e., retirement operations, investments, enterprise administration).	Complete a review of the organization structure and implement appropriate changes		12/26	X

Goals and Strategies	Vital Signs/ Metrics	E Team Lead(s)	Timing/ Milestones	Budget: People, Systems, Infrastructure
Goal 3: Build additional Investment Office capabilities to reduce costs and reliance on external resources while improving performance.				
1. Successfully build the Investment Office staff through experienced hires.	Ability to hire the right talent (salary, CBA, payroll structure, location)			X
	Hire the right talent as appropriate to the departments (e.g. legal, technology)			X
	Trim cost where prudent (external costs)			None
2. Build an internal middle- and back-office capability, including supporting infrastructure.	Investment team is self-sufficient in: Total plan exposure Cash flow management (internal) Controls			X

Goals and Strategies	Vital Signs/ Metrics	E Team Lead(s)	Timing/ Milestones	Budget: People, Systems, Infrastructure
Goal 4: Build organizational resilience.				
1. Implement a formal cross training program aligned with succession planning.	Documented processes Identified positions for cross training intradepartmental. Identified positions for cross interdepartmental		12/27	X
2. Develop the CBA negotiating strategy/plan.	Completed strategy		1/25	

6. Connecticut Lakes Headwaters Working Forest – Commonsense recreation access

New Section; Connecticut Lakes Headwaters Working Forest; OHRV Trails Closure Date.

Amend RSA 215-A by inserting after section 215-A:3-b the following new section:

215-A:3-c Connecticut Lakes Headway Working Forest OHRV Trail Annual Closure Date.

Notwithstanding any provision of law or advisory opinion to the contrary, all OHRV trails on the Connecticut Lakes headwaters working forest property shall remain open until the second Monday in October, which is Columbus Day.

Effective Date. This section shall take effect upon its passage.

7. Group II pension reform – Delivering for those who protect us

1 New Paragraph; Definition; Vested. Amend RSA 100-A:1 by inserting after paragraph XXXVII the following new paragraph:

XXXVIII. "Vested" means that a member is eligible for a benefit after 10 years of service. The calculations of earnable compensation under RSA 100-A:1, XVII, and average final compensation under RSA 100-A:1, XVIII, shall not be reduced after 3 years of service.

2 Earnable Compensation. Amend RSA 100-A:1, XVII to read as follows:

XVII. "Earnable compensation" shall mean:

(a) For **group I** members who have attained vested status prior to January 1, 2012 the full base rate of compensation paid, as determined by the employer, plus any overtime pay, holiday and vacation pay, sick pay, longevity or severance pay, cost of living bonus, annual attendance stipend or bonus, additional pay for extracurricular and instructional activities for full-time teachers and full-time employees who are employed in paraprofessional or support position, additional pay for instructional activities of full-time faculty of the community college system, and any military differential pay, plus the fair market value of non-cash compensation paid to, or on behalf of, the member for meals or living quarters if subject to federal income tax, but excluding other compensation except cash incentives paid by an employer to encourage members to retire, supplemental pay paid by the employer while the member is receiving workers' compensation, and teacher development pay that is not part of the contracted annual salary. ~~[Compensation for extra and special duty, as reported by the employer, shall be included but limited during the highest 3 years of creditable service as provided in paragraph XVIII.]~~ However, earnable compensation in the final 12 months of creditable service prior to termination of employment shall be limited to 1-1/2 times the higher of the earnable compensation in the 12-month period preceding the final 12 months or the highest compensation year as determined for the purpose of calculating average final

compensation, but excluding the final 12 months. Any compensation received in the final 12 months of employment in excess of such limit shall not be subject to member or employer contributions to the retirement system and shall not be considered in the computation of average final compensation. Provided that, the annual compensation limit for members of governmental defined benefit pension plans under section 401(a)(17) of the United States Internal Revenue Code of 1986, as amended, shall apply to earnable compensation for all employees~~[,]~~ **and** teachers~~;~~ ~~permanent firemen, and permanent policemen~~ who first become eligible for membership in the system on or after July 1, 1996. Earnable compensation shall not include compensation in any form paid later than 120 days after the member's termination of employment from a retirement eligible position, with the limited exceptions of disability related severance pay paid to a member or retiree no later than 120 days after a decision by the board of trustees granting the member or retiree disability retirement benefits pursuant to RSA 100-A:6 and of severance pay which a member was entitled to be paid within 120 days after termination but which, without the consent of the member and not through any fault of the member, was paid more than 120 days after the member's termination. The member shall have the burden of proving to the board of trustees that any severance payment paid later than 120 days after the member's termination of employment is earnable compensation and meets the requirements of an asserted exception to the 120-day post-termination payment requirement.

(b)(1) For **group I** members who have not attained vested status prior to January 1, 2012, the full base rate of compensation paid, as determined by the employer, plus compensation over base pay. Compensation over base pay shall include as applicable, subject to subparagraphs (2)~~[(3), and (4),]~~ **and (3)**, any overtime pay, cost of living bonus, annual attendance stipend or bonus, annual longevity pay, additional pay for extracurricular and instructional activities for full-time teachers and full-time employees who are employed in paraprofessional or support position, additional pay for instructional activities of full-time faculty of the community college system~~;~~ ~~compensation for extra and special duty,~~ and any military differential pay, plus the fair market value of non-cash compensation paid to, or on behalf of, the member for meals or living quarters if subject to federal income tax, but excluding other compensation except supplemental pay paid by the employer while the member is receiving workers' compensation and teacher development pay that is not part of the contracted annual salary.

~~[(2) Compensation over base pay shall be limited during the highest 5 years of creditable service as provided in paragraph XVIII.]~~

~~[(3)]~~ (2) Earnable compensation shall not include compensation for extra and special duty for members who commence service on and after July 1, 2011.

~~[(4)]~~ (3) Earnable compensation shall not include incentives to encourage members to retire, severance pay or end-of-career additional longevity payments, and pay for unused sick or vacation time. Earnable compensation in the final 12 months of creditable service prior to termination of employment shall be limited to 1 1/2 times the higher of the earnable compensation in the 12-month period preceding the final 12 months or the highest compensation year as determined for the purpose of calculating average final compensation, but excluding the final 12 months. Any

compensation received in the final 12 months of employment in excess of such limit shall not be subject to member or employer contributions to the retirement system and shall not be considered in the computation of average final compensation. Provided that, the annual compensation limit for members of governmental defined benefit pension plans under section 401(a)(17) of the United States Internal Revenue Code of 1986, as amended, shall apply to earnable compensation for all employees[,] **and** teachers[, ~~permanent firemen, and permanent policemen~~] who first become eligible for membership in the system on or after July 1, 1996. Earnable compensation shall not include compensation in any form paid later than 120 days after the member's termination of employment from a retirement eligible position.

(c) For group II members who attained vested status prior to September 1, 2013, the full base rate of compensation paid, as determined by the employer, plus any overtime pay, holiday and vacation pay, sick pay, longevity or severance pay, cost of living bonus, annual attendance stipend or bonus, additional pay for instructional activities, and any military differential pay, plus the fair market value of non-cash compensation paid to, or on behalf of, the member for meals or living quarters if subject to federal income tax, but excluding other compensation except cash incentives paid by an employer to encourage members to retire, supplemental pay paid by the employer while the member is receiving workers' compensation. Compensation for extra and special duty, as reported by the employer, shall be included but limited during the highest 3 years of creditable service as provided in paragraph XVIII. However, earnable compensation in the final 12 months of creditable service prior to termination of employment shall be limited to 1-1/2 times the higher of the earnable compensation in the 12-month period preceding the final 12 months or the highest compensation year as determined for the purpose of calculating average final compensation, but excluding the final 12 months. Any compensation received in the final 12 months of employment in excess of such limit shall not be subject to member or employer contributions to the retirement system and shall not be considered in the computation of average final compensation. Provided that, the annual compensation limit for members of governmental defined benefit pension plans under section 401(a)(17) of the United States Internal Revenue Code of 1986, as amended, shall apply to earnable compensation for all permanent firemen and permanent policemen who first become eligible for membership in the system on or after July 1, 1996. Earnable compensation shall not include compensation in any form paid later than 120 days after the member's termination of employment from a retirement-eligible position, with the limited exceptions of disability-related severance pay paid to a member or retiree no later than 120 days after a decision by the board of trustees granting the member or retiree disability retirement benefits pursuant to RSA 100-A:6 and of severance pay which a member was entitled to be paid within 120 days after termination but which, without the consent of the member and not through any fault of the member, was paid more than 120 days after the member's termination. The member shall have the burden of proving to the board of trustees that any severance payment paid later than 120 days after the member's termination of employment is earnable compensation and meets the requirements of an asserted exception to the 120-day post-termination payment requirement.

(d)(1) For group II members who have not attained vested status prior to September 1, 2013, the full base rate of compensation paid, as determined by the employer, plus compensation over base pay. Compensation over base pay shall include, as applicable and subject to subparagraphs (2) and (3), any overtime pay, cost of living bonus, annual attendance stipend or bonus, annual longevity pay, compensation for extra and special duty, and any military differential pay, plus the fair market value of non-cash compensation paid to or on behalf of the member for meals or living quarters if subject to federal income tax, but excluding other compensation except supplemental pay paid by the employer while the member is receiving workers' compensation that is not part of the contracted annual salary.

(2) Earnable compensation shall not include compensation for extra and special duty for members who began service on or after July 1, 2011.

(3) Earnable compensation shall not include incentives to encourage members to retire, severance pay, end-of-career additional longevity payments, or pay for unused sick or vacation time. Earnable compensation in the final 12 months of creditable service prior to termination of employment shall be limited to 1 1/2 times the higher of the earnable compensation in the 12-month period preceding the final 12 months or the highest compensation year as determined for the purpose of calculating average final compensation, but excluding the final 12 months. Any compensation received in the final 12 months of employment in excess of such limit shall not be subject to member or employer contributions to the retirement system and shall not be considered in the computation of average final compensation. Provided that, the annual compensation limit for members of governmental defined benefit pension plans under section 401(a)(17) of the United States Internal Revenue Code of 1986, as amended, shall apply to earnable compensation for all permanent firemen and permanent policemen who first become eligible for membership in the system on or after July 1, 1996. Earnable compensation shall not include compensation in any form paid later than 120 days after the member's termination of employment from a retirement-eligible position.

3 Average Final Compensation. Amend RSA 100-A:1, XVIII to read as follows:

XVIII. "Average final compensation" shall mean:

(a) For **group I** members who have attained vested status prior to January 1, 2012, the average annual earnable compensation of a member during his or her highest 3 years of creditable service, or during all of the years in his or her creditable service if less than 3 years. ~~[For purposes of this calculation, the inclusion of the average annual compensation for extra and special duty in the 3 years shall not exceed the average annual amount of compensation for extra and special duty paid to the member over the member's last 7 years of creditable service on or after July 1, 2009, as reported by the employer in accordance with RSA 100-A:16, VI, or over all of the years in his or her creditable service on or after July 1, 2009 if less than 7 years.]~~

(b) For group II members who attained vested status prior to September 1, 2013, the average annual earnable compensation shall be calculated based on the member's highest 3 years of creditable service, or during all years of creditable service if less than 3 years.

~~[(b)]~~(c) For group I members who commenced service on or after July 1, 2011 or who have not attained vested status prior to January 1, 2012, the average annual earnable compensation of a member during his or her highest 5 years of creditable service, or during all of the years in his or her creditable service if less than 5 years. For purposes of inclusion in this calculation, the average percentage of compensation paid in excess of the full base rate of compensation in the highest 5 years shall not exceed the average percentage of compensation paid in excess of the full base rate of compensation over all the member's years of service on or after January 1, 2012, but excluding the highest 5 years.

~~[(e)(1)]~~(d)(1) For group II members who commenced service prior to July 1, 2011 and who have not attained vested status prior to ~~[January 1, 2012,]~~ **September 1, 2013**, the average annual earnable compensation of a member during his or her highest 5 years of creditable service, or during all of the years in his or her creditable service if less than 5 years. For purposes of inclusion in this calculation, the average percentage of compensation paid in excess of the full base rate of compensation in the highest 5 years shall not exceed the average percentage of compensation paid in excess of the full base rate of compensation over all the member's years of service on or after ~~[January 1, 2012]~~ **September 1, 2013**.

(2) For group II members who commenced service on or after July 1, 2011 ~~[and who have not attained vested status prior to January 1, 2012,]~~ the average annual earnable compensation of a member during his or her highest 5 years of creditable service, or during all of the years in his or her creditable service if less than 5 years. For purposes of inclusion in this calculation, the average percentage of compensation paid in excess of the full base rate of compensation in the highest 5 years shall not exceed the average percentage of compensation paid in excess of the full base rate of compensation over all the member's years of service on or after January 1, 2012, but excluding the highest 5 years.

4 Group II Service Retirement Benefits. Amend RSA 100-A:5, II(a) to read as follows:

II. Group II Members.

(a) Any group II member in service, who is in vested status before ~~January 1, [2012]~~ **September 1, 2013**, who has attained age 45 and completed 20 years of creditable service, and any group II member who commenced service on or after July 1, 2011 who has attained age 50 and completed 25 years of creditable service, and group II members who have not attained vested status prior to ~~January 1, [2012]~~ **September 1, 2013** as provided in the transition provisions in RSA 100-A:5, II(d), or any group II member in service who has attained age 60 regardless of the number of years of creditable service, may retire on a service retirement allowance upon written application to the board of trustees setting forth at what time not less than 30 days nor more than 90 days subsequent to the filing thereof the member desires to be retired, notwithstanding that during such period of

notification the member may have separated from service. Provided, however, that a group II member who commenced service on or after July 1, 2011 shall not receive a service retirement allowance until attaining the age of 52.5; but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the date on which benefits commence precedes the month after which the member attains 52.5 years of age, by 1/4 of one percent.

5 Group II Service Retirement Benefits. Amend RSA 100-A:5, II(b)(2) to read as follows:

(2) For members who are in vested status before ~~January 1, [2012]~~ **September 1, 2013**, a state annuity which, together with his or her member annuity, shall be equal to 2-1/2 percent of his or her average final compensation multiplied by the number of years of his or her creditable service not in excess of 40 years, or for members who commenced service on or after July 1, 2011, a state annuity which, together with his or her member annuity, shall be equal to 2 percent of his or her average final compensation multiplied by the number of years of his or her creditable service not in excess of 42.5 years, and group II members who have not attained vested status prior to ~~January 1, [2012]~~ **September 1, 2013** shall be as provided in the transition provisions in RSA 100-A:5, II(d) with the maximum number of years of creditable service not in excess of the limits under RSA 100-A:6-a, but only for group II members in service who have attained age 60 regardless of the number of years of creditable service, or who work up to their full age and service requirements and retire under service retirement. If a member retires prior to reaching full age and service requirements, then their annuity multiplier remains the same as their first 15 years of creditable service.

6 Group II Service Retirement Benefits. Amend RSA 100-A:5, II(c)(1) to read as follows:

(c)(1) Notwithstanding any provision of RSA 100-A to the contrary, any group II member who is in vested status before ~~January 1, [2012]~~ **September 1, 2013** and has retired on or after the effective date of this subparagraph after attaining the age of 45 with at least 20 years of creditable service, and any group II member who commenced service on or after July 1, 2011 and retires after the effective date of this subparagraph after attaining the age of 50 with at least 25 years of creditable service, and group II members who have not attained vested status prior to ~~January 1, [2012]~~ **September 1, 2013** who qualify as provided in the transition provisions in RSA 100-A:5, II(d), shall receive a minimum annual service retirement allowance of \$10,000. If such group II member has elected to convert the retirement allowance into an optional allowance for the surviving spouse under RSA 100-A:13, the surviving spouse shall be entitled to a proportional share of the \$10,000.

7 Group II Service Retirement Benefits. Amend RSA 100-A:5, II(d) to read as follows:

(d) Active group II members who commenced service prior to July 1, 2011 and who have not attained vested status prior to ~~January 1, 2012~~ **September 1, 2013** shall be subject to the following transition provisions for years of service required for regular service retirement, the minimum age for regular service retirement, and for the first 15 years of creditable service, the multiplier used to calculate the retirement annuity [~~which shall be applicable on, or after January 1, 2012~~] according to the following table:

Creditable service on Minimum years Minimum Annuity

January 1, 2012 of service age attained multiplier

~~(1) Less than 4 years 24 age 49 2.1%~~

~~(2) At least 4 years 23 age 48 2.2%~~

~~but less than 6 years~~

~~(3) At least 6 years but 22 age 47 2.3%~~

~~less than 8 years~~

~~(4) At least 8 years but 21 age 46 2.4%~~

~~less than 10 years]~~

(1) Less than 1 year 24 age 49 2.1%*

(2) At least 1 years 24 age 49 2.1%*

but less than 2 years

(3) At least 2 years but 24 age 49 2.1%*

less than 3 years

(4) At least 3 years but 24 age 49 2.1%*

less than 4 years

(5) At least 4 years 23 age 48 2.2%*

but less than 5 years

(6) At least 5 years 23 age 48 2.2%*

but less than 6 years

(7) At least 6 years but 22 age 47 2.3%*

less than 7 years

(8) At least 7 years but 22 age 47 2.3%*

less than 8 years

(9) At least 8 years but 21 age 46 2.4%*

less than 9 years

* The annuity multiplier applied to creditable service earned beyond 15 years of creditable service, shall be 2.5 percent, but only for group II members in service who have attained age 60 regardless of the number of years of creditable service, or who work up to their full age and service requirements and retire under service retirement. If a member retires prior to reaching full age and service requirements, then their annuity multiplier remains the same as their first 15 years of creditable service.

8 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2012" with "September 1, 2013": 21-I:30, VIII; 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5, II(b)(2); 100-A:5, II(c)(1); 100-A:5, II(d)-(except table heading); 100-A:6, II(b); 100-A:6, II(d)(1) and (3); 100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

9 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status. Amend the following RSAs by replacing "September 1, 2013" with "January 1, 2014": 21-I:30, VIII; 100-A:1, XVII(c); 100-A:1, XVII(d)(1); 100-A:1, XVIII(b); 100-A:1, XVIII(d)(1); 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5, II(b)(2); 100-A:5, II(c)(1); 100-A:5, II(d)-(except table heading); 100-A:6, II(b); 100-A:6, II(d)(1) and (3); 100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d; 100-A:5, II (d).

10 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2014" with "January 1, 2015": 21-I:30, VIII; 100-A:1, XVII(c); 100-A:1, XVII(d)(1); 100-A:1, XVIII(b); 100-A:1, XVIII(d)(1); 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5, II(b)(2); 100-A:5, II(c)(1); 100-A:5, II(d)-(except table heading); 100-A:6, II(b); 100-A:6, II(d)(1) and (3); 100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

11 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2015" with "January 1, 2016": 21-I:30, VIII; 100-A:1, XVII(c); 100-A:1, XVII(d)(1); 100-A:1, XVIII(b); 100-A:1, XVIII(d)(1); 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5, II(b)(2); 100-A:5, II(c)(1); 100-A:5, II(d)-(except table heading); 100-A:6, II(b); 100-A:6, II(d)(1) and (3); 100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

12 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2016" with "January 1, 2017": 21-I:30, VIII; 100-A:1, XVII(c); 100-A:1, XVII(d)(1); 100-A:1, XVIII(b); 100-A:1, XVIII(d)(1); 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5, II(b)(2); 100-A:5, II(c)(1); 100-A:5, II(d)-(except table heading); 100-A:6, II(b); 100-A:6, II(d)(1) and (3); 100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

13 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2017" with "January 1, 2018": 21-I:30, VIII; 100-A:1, XVII(c); 100-A:1, XVII(d)(1); 100-A:1, XVIII(b); 100-A:1, XVIII(d)(1); 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5, II(b)(2); 100-

A:5, II(c)(1); 100-A:5, II(d)-(except table heading); 100-A:6, II(b); 100-A:6, II(d)(1) and (3);100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

14 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2018" with "January 1, 2019": 21-I:30, VIII; 100-A:1, XVII(c); 100-A:1, XVII(d)(1); 100-A:1, XVIII(b); 100-A:1, XVIII(d)(1); 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5, II(b)(2); 100-A:5, II(c)(1); 100-A:5, II(d)-(except table heading); 100-A:6, II(b); 100-A:6, II(d)(1) and (3);100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

15 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2019" with "January 1, 2020": 21-I:30, VIII; 100-A:1, XVII(c); 100-A:1, XVII(d)(1); 100-A:1, XVIII(b); 100-A:1, XVIII(d)(1); 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5, II(b)(2); 100-A:5, II(c)(1); 100-A:5, II(d)-(except table heading); 100-A:6, II(b); 100-A:6, II(d)(1) and (3);100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

16 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2020" with "January 1, 2021": 21-I:30, VIII; 100-A:1, XVII(c); 100-A:1, XVII(d)(1); 100-A:1, XVIII(b); 100-A:1, XVIII(d)(1); 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5, II(b)(2); 100-A:5, II(c)(1); 100-A:5, II(d)-(except table heading); 100-A:6, II(b); 100-A:6, II(d)(1) and (3);100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

17 Medical and Surgical Benefits. Amend RSA 21-I:30, VIII to read as follows:

VIII. Any vested deferred state retiree may receive medical and surgical benefits under this section if the vested deferred state retiree is eligible. To be eligible, a group I vested deferred state retiree shall have at least 10 years of creditable service with the state if the employee's service began prior to July 1, 2003 or 20 years of creditable service with the state if the employee's service began on or after July 1, 2003 and a group II vested deferred state retiree shall have at least 20 years of creditable service with the state if the employee's service with the state began on or after July 1, 2010. In addition, if the vested deferred state retiree is a member of group I, such retiree shall be at least 60 years of age to be eligible. If the vested deferred state retiree is a member of group II who is in vested status before January 1, 2012, such retiree shall not be eligible until 20 years from the date of becoming a member of group II and shall be at least 45 years of age, and any group II member who commenced service on or after July 1, 2011 shall not be eligible until 25 years from the date of becoming a member of group II and shall be at least 52.5 years of age~~], and group II members who have not attained vested status prior to January 1, 2012 shall be as provided in the transition provisions in RSA 100-A:5, II(d)].~~

18 Definitions. Amend RSA 100-A:1, XVII(d)(1) to read as follows:

(d)(1) For group II members ~~[who have not attained vested status prior to January 1, 2021]~~ **who commenced service on or after July 1, 2011**, the full base rate of compensation paid, as determined by the employer, plus compensation over base pay. Compensation over base pay shall include, as applicable and subject to subparagraphs (2) and (3), any overtime pay, cost of living bonus, annual attendance stipend or bonus, annual longevity pay, compensation for extra and special duty, and any military differential pay, plus the fair market value of non-cash compensation paid to or on behalf of the member for meals or living quarters if subject to federal income tax, but excluding other compensation except supplemental pay paid by the employer while the member is receiving workers' compensation that is not part of the contracted annual salary.

19 Definitions. Amend RSA 100-A:1, XXXVII(b)(1) through (3) to read as follows:

(b)(1) For a group II member who is ~~[in vested status before January 1, 2012]~~ **who commenced service prior to July 1, 2011**, the later of the date that the member has both attained age 45 and completed 20 years of creditable service; **or**

(2) For a group II member who commenced service on or after July 1, 2011, the later of the date that the member has both attained age 52.5 and completed 25 years of creditable service.~~[-]~~

~~[(3) For a group II member who commenced service prior to July 1, 2011, and who has not attained vested status prior to January 1, 2012, as provided in the transition provisions in RSA 100-A:5, H(d); or]~~

20 Service Retirement Benefits. Amend RSA 100-A:5, II(a) to read as follows:

(a) Any group II member in service, ~~[who is in vested status before January 1, 2021]~~ **who commenced service prior to July 1, 2011**, who has attained age 45 and completed 20 years of creditable service, and any group II member who commenced service on or after July 1, 2011 who has attained age 50 and completed 25 years of creditable service~~[-, and group II members who have not attained vested status prior to January 1, 2021, as provided in the transition provisions in RSA 100-A:5, H(d)]~~, or any group II member in service who has attained age 60 regardless of the number of years of creditable service, may retire on a service retirement allowance upon written application to the board of trustees setting forth at what time not less than 30 days nor more than 90 days subsequent to the filing thereof the member desires to be retired, notwithstanding that during such period of notification the member may have separated from service. Provided, however, that a group II member who commenced service on or after July 1, 2011 shall not receive a service retirement allowance until attaining the age of 52.5; but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be

reduced, for each month by which the date on which benefits commence precedes the month after which the member attains 52.5 years of age, by 1/4 of one percent.

21 Service Retirement Benefits. Amend RSA 100-A:5, II(b)(2) to read as follows:

(2) For members ~~[who are in vested status before January 1, 2021]~~ **who commenced service prior to July 1, 2011**, a state annuity which, together with his or her member annuity, shall be equal to 2- 1/2 percent of his or her average final compensation multiplied by the number of years of his or her creditable service not in excess of 40 years, or for members who commenced service on or after July 1, 2011, a state annuity which, together with his or her member annuity, shall be equal to 2 percent of his or her average final compensation multiplied by the number of years of his or her creditable service not in excess of 42.5 years~~], and group II members who have not attained vested status prior to January 1, 2021 shall be as provided in the transition provisions in RSA 100-A:5, II(d) with the maximum number of years of creditable service not in excess of 40.5 years].~~

22 Service Retirement Benefits. Amend RSA 100-A:5, II(c)(1) to read as follows:

(c)(1) Notwithstanding any provision of RSA 100-A to the contrary, any group II member who ~~[is in vested status before January 1, 2021 and]~~ **commenced service prior to July 1, 2011**, has retired on or after the effective date of this subparagraph after attaining the age of 45 with at least 20 years of creditable service, and any group II member who commenced service on or after July 1, 2011 and retires after the effective date of this subparagraph after attaining the age of 50 with at least 25 years of creditable service, ~~[and group II members who have not attained vested status prior to January 1, 2021 who qualify as provided in the transition provisions in RSA 100-A:5, II(d),]~~ shall receive a minimum annual service retirement allowance of \$10,000. If such group II member has elected to convert the retirement allowance into an optional allowance for the surviving spouse under RSA 100-A:13, the surviving spouse shall be entitled to a proportional share of the \$10,000.

23 Disability Retirement Benefits. Amend RSA 100-A:6, II(b) to read as follows:

(b) Upon ordinary disability retirement, the group II member shall receive an ordinary disability retirement allowance which shall consist of: a member annuity which shall be the actuarial equivalent of his or her accumulated contributions at the time of his or her ordinary disability retirement; and a state annuity which, together with his or her member annuity, for members who ~~[are in vested status before January 1, 2012]~~ **commenced service before July 1, 2011**, shall be equal to 2 1/2 percent of his or her average final compensation at the time of ordinary disability retirement multiplied by the number of years of his or her creditable service not in excess of 40 at the time of ordinary disability retirement, or for members who commenced service on or after July 1, 2011, shall be equal to 2 percent of his or her average final compensation at the time of ordinary disability retirement multiplied by the number of years of his or her creditable service not in excess

of 42.5 at the time of ordinary disability retirement, ~~[and group II members who have not attained vested status prior to January 1, 2012, shall be as provided in the transition provisions in RSA 100-A:5, II(d) with the maximum number of years of creditable service not in excess of the limits under RSA 100-A:6 as provided]~~, however, that such allowance shall not be less than 25 percent of the member's final compensation at the time of his or her disability retirement. Members who retire upon ordinary disability or qualify for accidental death benefits as outlined in RSA 100-A:8 shall not be subject to the full age and service requirements listed under RSA 100-A:5, II(d).

24 Disability Retirement Benefits. Amend RSA 100-A:6, II(d)(1) through (3) to read as follows:

(1) For members ~~[who are in vested status before January 1, 2011]~~ **who commenced service before July 1, 2011**, any group II member who has more than $26\frac{2}{3}$ years of service, a supplemental disability retirement allowance shall be paid. Such supplement shall be equal to $21\frac{1}{2}$ percent of his or her average final compensation multiplied by the number of years of his or her creditable service in excess of $26\frac{2}{3}$ but not in excess of 40 years.

(2) For members who commenced service on or after July 1, 2011, any group II member who has more than $33\frac{1}{3}$ years of service, a supplemental disability retirement allowance shall be paid. Such supplement shall be equal to 2 percent of his or her average final compensation multiplied by the number of years of his or her creditable service in excess of $33\frac{1}{3}$ but not in excess of 42.5 years.

~~[(3) For group II members who have not attained vested status prior to January 1, 2012, calculation of the supplemental allowance shall use the percentage multipliers for the corresponding years of creditable service on January 1, 2012 in the transition provisions in RSA 100-A:5, II(d) with the range for the number of excess years for the supplement adjusted proportionally.]~~

25 **Vested Deferred Retirement Benefit**. Amend RSA 100-A:10, II(b) to read as follows:

(b) For members ~~[who are in vested status before January 1, 2011]~~ **who commenced service before July 1, 2011**, upon the member's attainment of age 45, provided the member would then have completed 20 years of creditable service, otherwise the subsequent date on which such 20 years would have been completed, or for members who commenced service on or after July 1, 2011, upon the member's attainment of age 50, provided the member would then have completed 25 years of creditable service, otherwise the subsequent date on which such 25 years would have been completed, ~~[and group II members who have not attained vested status prior to January 1, 2012 shall be as provided in the transition provisions in RSA 100-A:5, II(d),]~~ or at any time after age 60, a group II member who meets the requirement of subparagraph (a) may make application on a form prescribed by the board of trustees and receive a vested deferred retirement allowance which shall consist of: (1) A member annuity which shall be the actuarial equivalent of accumulated contributions on the date the member's retirement allowance commences; and (2) A state annuity which, together with the member annuity, shall be equal to a service retirement allowance based

on the member's average final compensation and creditable service at the time the member's service is terminated. Provided, however, that a group II member who commenced service on or after July 1, 2011 shall not receive a vested deferred retirement allowance until attaining the age of 52.5; but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the date on which benefits commence precedes the month after which the member attains 52.5 years of age, by 1/4 of one percent.

26 Method of Financing. Amend RSA 100-A:16, I(aa) to read as follows:

(aa) The board of trustees shall certify to the proper authority or officer responsible for making up the payroll of each employer, and such authority or officer shall cause to be deducted from the compensation of each member, except group II members who are in vested status before January 1, 2012 with creditable service in excess of 40 years, and group II members who commenced service on or after July 1, 2011 or who have not attained vested status prior to January 1, 2012 with creditable service in excess of 42.5 years as provided in RSA 100-A:5, II(b) and RSA 100-A:6, II(b), on each and every payroll of such employer for each and every payroll period, the percentage of earnable compensation applicable to such member. No deduction from earnable compensation under this paragraph shall apply to any group II member ~~[who is in vested status before January 1, 2021]~~ **who commenced service prior to July 1, 2011** with creditable service in excess of 40 years, and any group II member who commenced service on or after July 1, 2011 or who have not attained vested status prior to January 1, 2012 with creditable service in excess of 42.5 years as provided in RSA 100-A:5, II(b) and RSA 100-A:6, II(b), and this provision for such members shall not affect the method of determining average final compensation as provided in RSA 100-A:1, XVIII. In determining the amount earnable by a member in a payroll period, the board may consider the rate of compensation payable to such member on the first day of a payroll period as continuing throughout the payroll period and it may omit deduction from compensation for any period less than a full payroll period if such person was not a member on the first day of the payroll period, and to facilitate the making of deductions it may modify the deduction required of any member by such an amount as shall not exceed 1/10 of one percent of the annual earnable compensation upon the basis of which such deduction is made. The amounts deducted shall be reported to the board of trustees. Each of such amounts, when deducted, shall be paid to the retirement system at such times as may be designated by the board of trustees and credited to the individual account, in the member annuity savings fund, of the member from whose compensation the deduction was made.

27 Minimum Age. Amend RSA 100-A:19-b, II to read as follows:

II.(a) For a member ~~[who is in vested status before January 1, 2021]~~ **who commenced service prior to July 1, 2011** and, who has completed 20 or more years of combined creditable service, one year

shall be deducted from age 60 for each year of creditable group II service, provided that the age shall not be less than 45 years.

(b) For a member who commenced service on or after July 1, 2011 and who has completed 25 or more years of combined creditable service, one year shall be deducted from age 60 for each year of creditable group II service, provided that the age shall not be less than 50 years, and provided that a the member shall not be eligible to receive a retirement allowance until attaining the age of 52.5.

~~[(e) For members who have not attained vested status prior to January 1, 2012, minimum age shall be as provided in the transition provisions in RSA 100-A:5, II(d) with one year deducted from age 60 to not less than the adjusted minimum age.]~~

28 Reduced Early Retirement. Amend RSA 100-A:19-d to read as follows:

100-A:19-d Reduced Early Retirement. Notwithstanding any other provision of law, any retirement system member who has creditable service in both group I and group II with at least 10 years combined creditable service, and who has attained an age which is at least 45 ~~[for members who are in vested status with group II service before January 1, 2012]~~ **for members who commenced service before July 1, 2011** or at least 50 for members who commenced group II service on or after July 1, 2011, and group II members who have not attained vested status prior to January 1, 2012 shall be as provided in the transition provisions in RSA 100-A:5, II(d), and is within 10 years of the minimum age set forth in RSA 100-A:19-b, may elect to retire and have benefits commence immediately as a reduced split-benefit service retirement allowance. Application shall be as provided in RSA 100-A:5, I(c). The allowance shall be determined as a split-benefit service retirement allowance in accordance with RSA 100-A:19-c, and the total combined split-benefit service allowance shall be reduced by the percentages shown in RSA 100-A:5, I(c), based on the total combined length of creditable service, for each month by which the date on which benefits commence precedes the month after which the member attains the minimum age set forth in RSA 100-A:19-b.

29 **Funding; Appropriations. The sum of \$27,500,000 per state fiscal year is hereby appropriated to the retirement system to fund the cost of benefits under this act. Such sums shall be transferred on July 1 each year until 2034. The governor is authorized to draw a warrant for said sums out of any money in the treasury not otherwise appropriated.**

30 Repeal. RSA 100-A:5, II(d)(9), relative to group II service retirement benefits.

31 Repeal. RSA 100-A:5, II(d)(8), relative to group II service retirement benefits.

32 Repeal. RSA 100-A:5, II(d)(7), relative to group II service retirement benefits.

33 Repeal. RSA 100-A:5, II(d)(6), relative to group II service retirement benefits.

34 Repeal. RSA 100-A:5, II(d)(5), relative to group II service retirement benefits.

35 Repeal. RSA 100-A:5, II(d)(4), relative to group II service retirement benefits.

36 Repeal. RSA 100-A:5, II(d)(3), relative to group II service retirement benefits.

37 Repeal. RSA 100-A:5, II(d)(2), relative to group II service retirement benefits.

39 Repeal. RSA 100-A:5, II(d), relative to group II service retirement benefits.

40 Repeal. RSA 100-A:1, XXXVII(d)(1) relative to group II service retirement definition.

41 Effective Date.

I. Sections 9 and 30 of this act shall take effect January 1, 2026.

II. Sections 10 and 31 of this act shall take effect January 1, 2027.

III. Sections 11 and 32 of this act shall take effect January 1, 2028.

IV. Sections 12 and 33 of this act shall take effect January 1, 2029.

V. Sections 13 and 34 of this act shall take effect January 1, 2030.

VI. Sections 14 and 35 of this act shall take effect January 1, 2031.

VII. Sections 15 and 36 of this act shall take effect January 1, 2032.

VIII. Sections 16 and 37 of this act shall take effect January 1, 2033.

IX. Sections 17 through 28, and 38 of this act shall take effect January 1, 2034.

X. The remainder of this act shall take effect 60 days after its passage.

8. Delivering funding for the Education Trust Fund and Group II pension reform

0 Findings. The general court and governor find that if Video Lottery Terminals are to be authorized in New Hampshire the revenues generated for the state shall be divided between the Education Trust Fund and the General Fund for (1) use in funding Group II retirement reforms to improve recruitment and retention for our law enforcement and first responders and, (2) if there any additional funds, funding the Department of Safety.

1 State Lottery and Gaming Commission. Amend RSA 284:21-a to read as follows:

284:21-a State Lottery *and Gaming* Commission. There shall be and hereby is created a state lottery *and gaming* commission consisting of 3 members who shall be appointed and may be removed for cause by the governor with the advice and consent of the council. One member shall be appointed for one year, one for 2 years and one for 3 years, and upon the expiration of their terms of office their successors shall be appointed for a term of 3 years. Any vacancy shall be filled by appointment for the unexpired term. No member of the commission shall have any pecuniary or other interest in any supplier or agent to the commission or in any licensee licensed under the provisions of this chapter. *The commission shall be properly addressed as the “New Hampshire lottery and gaming commission” but all statutory and regulatory references to “lottery commission” shall remain valid and shall be used synonymously.*

2 Definitions. Amend RSA 287-D:1, XII to read as follows:

XII. *“Video Lottery Terminal” or “VLT” means any device which, upon payment of bills, coins or vouchers, is available to play or operate and may entitle the patron to receive cash, vouchers, or electronic credits redeemable for cash. The results, including options available to the patron, are randomly determined by the device. A device may use spinning reels or video displays or both. This definition does not include any device that sells lottery tickets, pari-mutuel wagers,*

nor any device which is operated through, utilizes, or is played on or with assistance from the Internet.

XIII. "Wager" means a monetary agreement between 2 or more persons that a sum of money or other valuable thing shall be paid to one of them on the happening or not happening of an uncertain event. Wager may be used synonymously with the term "bet."

3 Rulemaking. Amend RSA 287-D:3, XVII to read as follows:

XVII. *The licensing and enforcement of VLT licensees, terminals, and compliance requirements under RSA 287-J.*

XVIII. Other matters related to the proper administration of this chapter.

4 New Chapter; Video Lottery Terminals. Amend RSA by inserting after chapter 287-I the following new chapter:

CHAPTER 287-J VIDEO LOTTERY TERMINALS

287-J:1 Definitions.

For the purposes of this chapter these words shall have the following meaning:

I. "Applicant" means an individual or entity applying for a license under this chapter.

II. "Commission" means the lottery and gaming commission.

III. "Gross video lottery revenue" means the total of all sums actually received by a VLT licensee from operation of video lottery terminals, minus the total of all sums actually paid out as winnings to patrons.

IV. "Facility" means a facility licensed under RSA 287-D for the conduct of charitable gaming.

V. "Video lottery terminal" or "VLT" means any device which, upon payment of bills, coins or vouchers, is available to play or operate and may entitle the patron to receive cash, vouchers, or electronic credits redeemable for cash. The results, including options available to the patron, are randomly determined by the device. A device may use spinning reels or video displays or both. This definition does not include any device that sells lottery tickets, pari-mutuel wagers, nor any device which is operated through, utilizes, or is played on or with assistance from the Internet.

VI. "VLT license" means a license issued in accordance with this section, to offer video lottery terminals to the public.

VII. "VLT licensee" means a game operator employer licensee that has been granted a VLT license under this section.

VIII. "Voucher" means a printed wagering instrument, issued by a video lottery terminal at a facility, that has a fixed dollar wagering value which can only be used to acquire an equivalent value of cashable credits or cash.

287-J:2 Enforcement. The commission, with the assistance of the attorney general and the chief of police of any city or town where licensed facilities are located, shall administer and enforce the provisions of this chapter. To enforce the requirements of this chapter, the commission may exercise all rights of enforcement, including but not limited to its subpoena power, investigation authority, and authority to issue administrative orders and fines, granted to the commission by RSA 287-D.

287-J:3 Rulemaking. The commission shall adopt rules, pursuant to RSA 541-A, relative to:

I. The application procedure for VLT licenses for game operators.

- II. Information to be required on VLT license applications for VLT licenses for game operators.
- III. The conducting and operation of video lottery terminals.
- IV. Accountability controls to ensure game integrity, including, but not limited to, cash, prizes, income, expense and financial reporting, and recordkeeping to be implemented by VLT licensees in addition to requirements set forth in RSA 287-D:22.
- V. Investigation and enforcement to ensure compliance with this chapter.
- VI. Other matters related to the proper administration of this chapter.

287-J:4 Eligible Operators.

- I. To be eligible for a VLT license, the applicant must have been licensed or eligible for licensure to sell pari-mutuel pools on historic horse races under RSA 287-D and under RSA 284:22-b as of the effective date of this chapter. A license shall not be permitted to be transferred or sold.
- II. Applicants eligible to obtain a VLT license pursuant to paragraph I of this section shall submit to background, financial, and suitability checks pursuant to RSA 287-D:11 and RSA 287-D:12, to ensure the applicant's ability to conduct video lottery terminals in accordance with the provisions of RSA 287-D and this chapter. The applicant for a VLT license shall submit to the commission a criminal history records release form, as provided by the division of state police, which authorizes the division of state police to conduct a criminal history records check through its state records and through the Federal Bureau of Investigation and to release a report of the applicant's criminal history and record information, including confidential criminal history record information, to the commission.

287-J:5 Operation of Video Lottery Terminals.

- I. Prior to use all VLTs must have been tested by an independent testing laboratory and approved by the commission to ensure integrity and proper working order.
- II. VLTs shall not accept a wager in excess of \$25.
- III. No VLT shall be operated except within the facility of an eligible VLT licensee during the facility's approved hours of play of charitable games.
- IV. VLTs shall operate to ensure a minimum average daily aggregate payback of 88 percent computed for all VLTs operated at each facility on a quarterly basis.
- V. VLTs shall operate pursuant to any other such characteristics as the commission may establish by rule to safeguard the integrity of gaming in New Hampshire.

287-J:6 Revenue Share.

- I. Each Video Lottery Terminal licensee shall collect a sum equal to 45 percent of gross video lottery revenue for distribution under paragraph II.
- II.(a) Each licensee shall distribute 35 percent of the amount collected under paragraph I to charitable organizations with whom the licensee contracts on each licensed game date. Each VLT licensee must contract with 2 licensed charitable organizations for each game date.
- (b) The remainder of the total amount collected by the licensee under paragraph I shall be paid to the commission and distributed as follows:
 - (1) 50 percent for deposit in the education trust fund established by RSA 198:39; and
 - (2) 50 percent for deposit in the general fund.

287-J:7 Unclaimed Vouchers.

- I. Vouchers shall remain valid for 180 days from the date printed, after which the obligation of the VLT licensee to pay the patron any value remaining on a voucher expires.
- II. Before the end of each calendar month, the VLT licensee shall report and remit the total value of vouchers that expired during the preceding calendar month in a format prescribed by the commission.

PLEASE COMPLETE ALL SHADED AREAS IN THE WORKSHEET. IF YOU HAVE ANY QUESTIONS, PLEASE REFER TO THE LBA GUIDELINES FOR FISCAL NOTE WORKSHEETS OR CONTACT OUR OFFICE (271-3161).

Agency Name:	[Agency Name]
LSR #:	25-0725.0
Bill #:	HB727
Amendment #(s):	[Amendment #(s)]

Date of LBA Request	02/02/2025
Date Due to LBA	02/08/2025
Date Sent to LBA	02/18/2025
Corrected Worksheet?	No

A. Fiscal Impact Summary

- INSTRUCTIONS -

- Specify the total impact on revenues and expenditures for each level of government and fund(s) impacted.
- Only the *incremental change* from the current law or budget should be included.
- If there is no fiscal impact, enter a zero (“\$0”). If the fiscal impact cannot be estimated, enter “Indeterminable” (with a range) and indicate if the impact may increase or decrease revenues or expenditures. Decreases should be presented within parenthesis.
- The amounts in the table below should correspond with the calculations in sectionC of this worksheet.
- If there is a fiscal impact after FY 2028, please include in sectionC.
- Provide fund for revenue impacts and/or source of funds for estimated expenditures (i.e., general fund, highway fund, name of restricted dedicated fund, etc.). **If source of funds is not identified the fiscal note may be returned to the agency for completion.**
- When providing a fiscal note worksheet on an amendment to a bill, please prepare the worksheet based on the bill as amended and not only on the impact of the amendment.

	FY 2025	FY 2026	FY 2027	FY 2028
State Revenues	\$	\$	\$	\$
<i>Revenue Fund(s)</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>
State Expenditures	\$	\$27,500,000	\$27,500,000	\$27,175,000
<i>Source(s) of Funds</i>	<i>Source</i>	<i>General</i>	<i>General</i>	<i>General</i>

State Impact Questions	<i>Yes</i>	<i>No</i>	<i>N/A</i>
1. Does this bill provide sufficient funding to cover all estimated agency expenditures that are directly related to this bill?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Can the agency’s operating budget absorb estimated expenditures directly related to this bill that exceed funding provided (if any)? <i>Please explain the impact in sectionC (i.e., changes contained in bill can’t be implemented timely or in-full (or in-part), resources will be reallocated causing other work not to be completed, amounts lapsed may be affected, etc.).</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. Does this bill provide authorization for new positions?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

	FY 2025	FY 2026	FY 2027	FY 2028
County Revenues	\$	\$	\$	\$
County Expenditures	\$	\$	\$	\$

Local Revenues	\$	\$	\$	\$
Local Expenditures	\$	\$	\$	(\$270,000)

B. Assumptions

- INSTRUCTIONS -

- Clearly explain your understanding of the proposed legislation, how it would be implemented, and any other important cost-related assumptions.
- Assumptions should be clear and not chosen to influence one’s opinion of the proposed legislation.
- Assumptions used should relate directly to your agency’s estimate of the fiscal impact on the revenues, expenditures, or fiscal liability of the state, or a city, town, or county.

This bill makes significant changes to the NH retirement system, including modifying the maximum retirement benefits for certain public employees, adjusting the dates and percentages related to the calculation of retirement benefit, and adjusting the definition of "earnable compensation".

Page 1, Line 3 proposes a new section RSA 100-A:1, XXXVII would add the definition “Vested” to mean “that a member is eligible for a benefit after 10 years of service.” The next sentence of the bill provides that “The calculations of earnable compensation under RSA 100-A:1, XVII, and average final compensation under RSA 100-A:1, XVIII, shall not be reduced after 3 years of service.” It is ambiguous what this provision is intended to accomplish. Moreover, the relationship of this proposal to the new term “Vested” is unclear. The desired change would be more suitably achieved by amendments to RSA 100-A:1, XVII and RSA 100-A:1, XVIII.

Page 2, Line 22 would eliminate the limit on compensation over base during a Tier B Group I member’s high five years of service.

Page 2, Line 24 regarding compensation for extra and special duty would appear to be irrelevant if, under the bill, revised section RSA 100-A:1, XVIII(b)(1) would now be limited to Group I members who do not receive compensation for extra and special duty.

Page 3, Line 4 would create new section RSA 100-A:1, XVIII(c) would redefine “earnable compensation” for “Group II members who attained vested status prior to September 1, 2013.” It is unclear why the date September 1, 2013 is used here, and throughout the remainder of the bill in other contexts, as under current law the operative date is January 1, 2012.

Page 3, Line 4 would create new section RSA 100-A:1, XVII(d)(1) to establish a definition of earnable compensation for Group II members that had not attained vested status prior to September 1, 2013 that is similar to the current definition for all members who had not attained vested status prior to January 1, 2012.

Page 5, Line 3 would create new section RSA 100-A:1, XVIII that would provide that “average final compensation”, for Group II members who attained vested status prior to September 1, 2013, would be based on the high 3 years of earnable compensation, Current law provides for a 5-year average.

Page 5, Line 27 is missing a year in the date.

Page 6, Line 1 would provide that Group II members who attained vested status prior to September 1, 2013 may retire at age 45 with 20 years of service, Current law requires age 50 and 25 years for members who have not attained vested status prior to January 1, 2012.

Page 6 line 16 would amend RSA 100-A:5, II(b)(2) to provide that Group II members who had attained vested status prior to September 1, 2013 would have a multiplier of 2.5% for the purposes of calculating their benefits. Currently, Group II members who had not attained vested status prior to January 1, 2012 have a multiplier between 2.1% and 2.4% in accordance with the transition table in RSA 100-A:5, II(d).

Page 7, Line 1 would revise the transition table in RSA 100-A:5, II(d).

Page 7, Line 33 would revise RSA 100-A:6-a, the maximum benefit provisions, by changing the applicable date for members hired prior to July 1, 1999 (under current law) to January 1, 1999 (under the bill) to be entitled to a 100% of average final compensation as a maximum benefit. It would also increase the maximum benefit to the lesser of 100% of average final compensation or \$125,000 for members hired on or after January 1, 1999 and before July 1, 2011, and to the lesser of 85% of average final compensation or \$125,000 for members hired on or after July 1, 2011. **NOTE: THESE CHANGES TO THE MAXIMUM BENEFIT WOULD APPLY TO GROUP I AND GROUP II MEMBERS.**

Page 8, Line 15 would appear to incorporate the above changes for additional members by revising the cutoff date from September 1, 2013 to 2014 to 2015 and so on so as to gradually make such changes applicable to additional members.

Page 14, Line 28 would provide for funding by the state in the amount of \$27,500,000 per year from FY 2025 to FY 2034. It is uncertain that this provision would be binding on future legislatures.

C. Calculations, Methodology, and Agency Budget Implications

- INSTRUCTIONS -

- Using the assumptions provided in section B, calculate the estimated fiscal impact of the proposed legislation.
- Calculations should be detailed with the methodology clearly stated.
- If calculating position costs, please use and attach the appropriate position cost calculator worksheet found here: <http://gencourt.state.nh.us/lba/> include account units and class codes.
- If the fiscal impact is zero (\$0) or indeterminable, please explain why. **If indeterminable, please provide an estimated range of the impact otherwise the impact will be listed as “not provided by the agency”.** The purpose of the range is to provide readers with the potential magnitude of any fiscal impact. **Below are suggested ranges, if you are unable to determine a precise fiscal impact:**
 - Less than \$10,000**
 - More than \$10,000 –\$100,000 or less**
 - More than \$100,000 – \$500,000 or less**
 - More than \$500,000 - \$1,000,000 or less**
 - More than \$1,000,000 - \$2,500,000 or less**
 - More than \$2,500,000**
- The calculations for FY 2025 through FY 2028 should agree with summary table in sectionA. Please also include information on fiscal impacts estimated outside of this period in this section.
- Please indicate if the fiscal impact is less than \$10,000 per fiscal year (RSA 14:44, II, allows for the fiscal note to simply state bill has an impact of less than \$10,000).
- Please provide further information relative to the state impact questions in sectionA, if applicable.

Under the proposed scenario outlined in the new provisions, the impact would be reflected in the next rate-setting valuation as of June 30, 2025, which determines the rates for the 2028-2029 biennium. Since the rates for the 2028-2029 biennium are unknown at this time, only the net impact of the proposal is shown.

The Legislation calls for \$27,500,000 to be transferred to the retirement system on July 1 each year from 2025 through 2034. The total appropriation from the General Fund would be \$275,000,000 for the ten-year period. The transfer of funds would result in an overall decrease in the UAAL of \$98,200,000. Employer contribution rates would be impacted beginning in FY 2028 as follows: Employees – no change, Teachers – increase 0.04%, Police – decrease 0.30%, and Fire – increase 0.03%.

See attached actuarial valuation dated February 4, 2025, completed by Gabriel, Roeder, Smith & Company (GRS). Comments on pages 20-21 of this letter outline the assumptions that were used to calculate the fiscal impact of this LSR.

The proposed changes will also involve currently indeterminate but significant administrative costs relating to reprogramming the pension administration system.

D. Fiscal Note Worksheet Contact Information

**Prepared and Approved by Mark F. Cavanaugh
Deputy Counsel and Compliance Officer
603-410-3592
mark.cavanaugh@nhrs.org**

February 4, 2025

Ms. Marie Mullen
Director of Finance
New Hampshire Retirement System
54 Regional Drive
Concord, New Hampshire 03301

Re: LSR 25-0725.0

Dear Ms. Mullen:

Enclosed are the results of a supplemental actuarial valuation to measure the financial effects of LSR 25-0725.0, as requested.

Respectfully submitted,
Gabriel, Roeder, Smith & Company

DRAFT

Heidi G. Barry, ASA, FCA, MAAA

Enclosure

cc: Jan Goodwin (NHRS via email)
Tim Crutchfield (NHRS via email)
Mark Cavanaugh (NHRS via email)
Jeffrey T. Tebeau (GRS via email)
Casey T. Ahlbrandt-Rains (GRS via email)

Requested By: Ms. Marie Mullen, Director of Finance
New Hampshire Retirement System

Date: February 4, 2025

Submitted By: Heidi G. Barry, ASA, FCA, MAAA
Jeffrey T. Tebeau, FSA, EA, FCA, MAAA
Casey T. Ahlbrandt-Rains, ASA, FCA, MAAA
Gabriel, Roeder, Smith & Company

This report contains the results of a supplemental actuarial valuation of a proposed System change as described in LSR 25-0725.0. Specifically, the changes relate to the Group II Tier B retirement eligibility and benefit multipliers. The purpose of this valuation is to determine the impact of the proposed provisions on the Retirement System's actuarial accrued liabilities and employer contribution rates.

Supplemental valuations do not predict the results of future actuarial valuations. (Future activities can affect future valuation results in an unpredictable manner.) Rather, supplemental valuations give an indication of the probable effect of the **change only** on future valuations without comment on the complete end result of the future valuations.

This report should not be relied on for any purpose other than the purpose described above. GRS is not responsible for unauthorized use of this report.

Heidi G. Barry, Jeffrey T. Tebeau, and Casey T. Ahlbrandt-Rains are independent of the plan sponsor, are Members of the American Academy of Actuaries (MAAA), and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

The valuations were based upon data furnished by NHRS for the June 30, 2023 contribution rate setting actuarial valuation. Actuarial methods and assumptions were the same as those used in the annual actuarial valuation as of June 30, 2023. In particular:

- The assumed rate of interest was 6.75%;
- The valuation method was the Entry Age Actuarial Cost Method; and
- Payroll growth is assumed to be 3.0% per year (2.5% for Teachers).

The unfunded liability as of June 30, 2017 shall be amortized through 2039. Each subsequent change in unfunded liability as calculated in odd-numbered years shall be separately amortized over a fixed period of no longer than 20 years.

A brief summary of the data used in this valuation is presented on the next page.

Valuation Group	Active Members	Valuation Payroll	Average		
			Age	Service*	Pay
Employees:					
Male	9,812	\$ 617,985,150	48.0	10.3	\$62,983
Female	14,828	794,509,133	49.1	10.0	53,582
Total	24,640	1,412,494,283	48.7	10.1	57,325
Teachers:					
Male	3,740	275,512,225	46.1	14.3	73,666
Female	14,401	984,727,396	45.4	12.6	68,379
Total	18,141	1,260,239,621	45.5	13.0	69,469
Police:					
Male	3,422	301,989,841	38.4	10.7	88,250
Female	620	47,479,468	37.8	8.2	76,580
Total	4,042	349,469,309	38.3	10.3	86,460
Fire:					
Male	1,687	150,392,790	40.6	12.4	89,148
Female	79	5,500,141	34.0	6.9	69,622
Total	1,766	155,892,931	40.4	12.1	88,275
Total:					
Male	18,661	1,345,880,006	45.2	11.3	72,123
Female	29,928	1,832,216,138	47.0	11.2	61,221
Grand Total	48,589	\$3,178,096,144	46.3	11.3	\$65,408

**One month of service was added to the reported service for all active participants in consideration of potential subsidized service purchases in the future.*

Valuation Group	Active Members	Valuation Payroll
Employees:		
State	9,870	\$ 628,330,727
Political Subdivisions	14,770	784,163,556
Subtotal	24,640	1,412,494,283
Teachers:	18,141	1,260,239,621
Police:		
State	1,008	94,372,975
Political Subdivisions	3,034	255,096,334
Subtotal	4,042	349,469,309
Fire:		
State	30	2,428,519
Political Subdivisions	1,736	153,464,412
Subtotal	1,766	155,892,931
Total	48,589	\$ 3,178,096,144

Group I Members Affected by Proposal

	Employees	Teachers
Hired Prior to July 1, 2011 and Vested as of 1/1/12	3,525	3,694
Hired Prior to July 1, 2011 and Not Vested as of 1/1/12	5,220	5,265
Hired on or After 7/1/2011	15,895	9,182
	<hr/> 24,640	<hr/> 18,141

Group II Members Affected by Proposal

	Police	Fire
Hired Prior to 7/1/11 and Vested as of 1/1/12	417	300
Hired Prior to 7/1/11 with Creditable Service on 1/1/12 between 8 and 10 Years	181	139
Hired Prior to 7/1/11 with Creditable Service on 1/1/12 between 6 and 8 Years	259	99
Hired Prior to 7/1/11 with Creditable Service on 1/1/12 between 4 and 6 Years	281	125
Hired Prior to 7/1/11 with Creditable Service on 1/1/12 Less than 4 Years	387	171
Hired on or After 7/1/2011	2,517	932
Total	<hr/> 4,042	<hr/> 1,766

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Current Provisions Affected:

Earnable Compensation:

(a) For members who have attained vested status prior to January 1, 2012 the full base rate of compensation paid, as determined by the employer, plus any overtime pay, holiday and vacation pay, sick pay, longevity or severance pay, cost of living bonus, annual attendance stipend or bonus, additional pay for extracurricular and instructional activities for full-time teachers and full-time employees who are employed in paraprofessional or support position, additional pay for instructional activities of full-time faculty of the community college system, and any military differential pay, plus the fair market value of non-cash compensation paid to, or on behalf of, the member for meals or living quarters if subject to federal income tax, but excluding other compensation except cash incentives paid by an employer to encourage members to retire, supplemental pay paid by the employer while the member is receiving workers' compensation, and teacher development pay that is not part of the contracted annual salary. Compensation for extra and special duty, as reported by the employer, shall be included but limited during the highest 3 years of creditable service as provided in paragraph XVIII. However, earnable compensation in the final 12 months of creditable service prior to termination of employment shall be limited to 1-1/2 times the higher of the earnable compensation in the 12-month period preceding the final 12 months or the highest compensation year as determined for the purpose of calculating average final compensation, but excluding the final 12 months. Any compensation received in the final 12 months of employment in excess of such limit shall not be subject to member or employer contributions to the retirement system and shall not be considered in the computation of average final compensation. Provided that, the annual compensation limit for members of governmental defined benefit pension plans under section 401(a)(17) of the United States Internal Revenue Code of 1986, as amended, shall apply to earnable compensation for all employees, teachers, permanent firemen, and permanent policemen who first become eligible for membership in the system on or after July 1, 1996. Earnable compensation shall not include compensation in any form paid later than 120 days after the member's termination of employment from a retirement eligible position, with the limited exceptions of disability related severance pay paid to a member or retiree no later than 120 days after a decision by the board of trustees granting the member or retiree disability retirement benefits pursuant to RSA 100-A:6 and of severance pay which a member was entitled to be paid within 120 days after termination but which, without the consent of the member and not through any fault of the member, was paid more than 120 days after the member's termination. The member shall have the burden of proving to the board of trustees that any severance payment paid later than 120 days after the member's termination of employment is earnable compensation and meets the requirements of an asserted exception to the 120-day post-termination payment requirement.

(b)(1) For members who have not attained vested status prior to January 1, 2012, the full base rate of compensation paid, as determined by the employer, plus compensation over base pay. Compensation over base pay shall include as applicable, subject to subparagraphs (2), (3), and (4) any overtime pay, cost of living bonus, annual attendance stipend or bonus, annual longevity pay, additional pay for extracurricular and instructional activities for fulltime teachers and full-time employees who are employed in paraprofessional or support position, additional pay for instructional activities of full-time

faculty of the community college system, compensation for extra and special duty, and any military differential pay, plus the fair market value of non-cash compensation paid to, or on behalf of, the member for meals or living quarters if subject to federal income tax, but excluding other compensation except supplemental pay paid by the employer while the member is receiving workers' compensation and teacher development pay that is not part of the contracted annual salary. (2) Compensation over base pay shall be limited during the highest 5 years of creditable service as provided in paragraph XVIII. (3) Earnable compensation shall not include compensation for extra and special duty for members who commence service on and after July 1, 2011. (4) Earnable compensation shall not include incentives to encourage members to retire, severance pay or end-of-career additional longevity payments, and pay for unused sick or vacation time. Earnable compensation in the final 12 months of creditable service prior to termination of employment shall be limited to 1 1/2 times the higher of the earnable compensation in the 12-month period preceding the final 12 months or the highest compensation year as determined for the purpose of calculating average final compensation, but excluding the final 12 months. Any compensation received in the final 12 months of employment in excess of such limit shall not be subject to member or employer contributions to the retirement system and shall not be considered in the computation of average final compensation. Provided that, the annual compensation limit for members of governmental defined benefit pension plans under section 401(a)(17) of the United States Internal Revenue Code of 1986, as amended, shall apply to earnable compensation for all employees, teachers, permanent firemen, and permanent policemen who first become eligible for membership in the system on or after July 1, 1996. Earnable compensation shall not include compensation in any form paid later than 120 days after the member's termination of employment from a retirement eligible position.

Average Final Compensation:

(a) For members who have attained vested status prior to January 1, 2012, the average annual earnable compensation of a member during his or her highest 3 years of creditable service, or during all of the years in his or her creditable service if less than 3 years. For purposes of this calculation, the inclusion of the average annual compensation for extra and special duty in the 3 years shall not exceed the average annual amount of compensation for extra and special duty paid to the member over the member's last 7 years of creditable service on or after July 1, 2009, as reported by the employer in accordance with RSA 100-A:16, VI, or over all of the years in his or her creditable service on or after July 1, 2009 if less than 7 years.

(b) For group I members who commenced service on or after July 1, 2011 or who have not attained vested status prior to January 1, 2012, the average annual earnable compensation of a member during his or her highest 5 years of creditable service, or during all of the years in his or her creditable service if less than 5 years. For purposes of inclusion in this calculation, the average percentage of compensation paid in excess of the full base rate of compensation in the highest 5 years shall not exceed the average percentage of compensation paid in excess of the full base rate of compensation over all the member's years of service on or after January 1, 2012, but excluding the highest 5 years.

(c)(1) For group II members who commenced service prior to July 1, 2011 and who have not attained vested status prior to January 1, 2012, the average annual earnable compensation of a member during his

or her highest 5 years of creditable service, or during all of the years in his or her creditable service if less than 5 years. For purposes of inclusion in this calculation, the average percentage of compensation paid in excess of the full base rate of compensation in the highest 5 years shall not exceed the average percentage of compensation paid in excess of the full base rate of compensation over all the member's years of service on or after January 1, 2012. (2) For group II members who commenced service on or after July 1, 2011 and who have not attained vested status prior to January 1, 2012, the average annual earnable compensation of a member during his or her highest 5 years of creditable service, or during all of the years in his or her creditable service if less than 5 years. For purposes of inclusion in this calculation, the average percentage of compensation paid in excess of the full base rate of compensation in the highest 5 years shall not exceed the average percentage of compensation paid in excess of the full base rate of compensation over all the member's years of service on or after January 1, 2012, but excluding the highest 5 years.

Group II Benefit Multiplier and Normal Retirement Eligibility:

(a) Any group II member in service, who is in vested status before January 1, 2012, who has attained age 45 and completed 20 years of creditable service, and any group II member who commenced service on or after July 1, 2011 who has attained age 50 and completed 25 years of creditable service, and group II members who have not attained vested status prior to January 1, 2012 as provided in the transition provisions in RSA 100-A:5, II(d), or any group II member in service who has attained age 60 regardless of the number of years of creditable service, may retire on a service retirement allowance upon written application to the board of trustees setting forth at what time not less than 30 days nor more than 90 days subsequent to the filing thereof the member desires to be retired, notwithstanding that during such period of notification the member may have separated from service. Provided, however, that a group II member who commenced service on or after July 1, 2011 shall not receive a service retirement allowance until attaining the age of 52.5; but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the date on which benefits commence precedes the month after which the member attains 52.5 years of age, by 1/4 of one percent.

(b) Upon service retirement, a group II member shall receive a service retirement allowance which shall consist of: (1) A member annuity which shall be the actuarial equivalent of his or her accumulated contributions at the time of retirement; and (2) For members who are in vested status before January 1, 2012, a state annuity which, together with his or her member annuity, shall be equal to 2-1/2 percent of his or her average final compensation multiplied by the number of years of his or her creditable service not in excess of 40 years, or for members who commenced service on or after July 1, 2011, a state annuity which, together with his or her member annuity, shall be equal to 2 percent of his or her average final compensation multiplied by the number of years of his or her creditable service not in excess of 42.5 years, and group II members who have not attained vested status prior to January 1, 2012 shall be as provided in the transition provisions in RSA 100-A:5, II(d) with the maximum number of years of creditable service not in excess of the limits under RSA 100-A:6-a, but only for group II members in service who have attained age 60 regardless of the number of years of creditable service, or who work up to their full age and service requirements and retire under service retirement. If a member retires prior to

reaching full age and service requirements, then their annuity multiplier remains the same as their first 15 years of creditable service.

(c)(1) Notwithstanding any provision of RSA 100-A to the contrary, any group II member who is in vested status before January 1, 2012 and has retired on or after the effective date of this subparagraph after attaining the age of 45 with at least 20 years of creditable service, and any group II member who commenced service on or after July 1, 2011 and retires after the effective date of this subparagraph after attaining the age of 50 with at least 25 years of creditable service, and group II members who have not attained vested status prior to January 1, 2012 who qualify as provided in the transition provisions in RSA 100-A:5, II(d), shall receive a minimum annual service retirement allowance of \$10,000. If such group II member has elected to convert the retirement allowance into an optional allowance for the surviving spouse under RSA 100-A:13, the surviving spouse shall be entitled to a proportional share of the \$10,000.

(d) Active group II members who commenced service prior to July 1, 2011 and who have not attained vested status prior to January 1, 2012 shall be subject to the following transition provisions for years of service required for regular service retirement, the minimum age for regular service retirement, and for the first 15 years of creditable service, the multiplier used to calculate the retirement annuity, which shall be applicable on, or after January 1, 2012 according to the following table:

Creditable Service on January 1, 2012	Minimum Years of Service	Minimum Age Attained	Annuity Multiplier*
(1) Less than 4 years	24 Years	Age 49	2.1%
(2) At least 4 years but less than 6 years	23 Years	Age 48	2.2%
(3) At least 6 years but less than 8 years	22 Years	Age 47	2.3%
(4) At least 8 years but less than 10 years	21 Years	Age 46	2.4%

* The annuity multiplier applied to creditable service earned beyond 15 years of creditable service, shall be 2.5 percent, but only for group II members in service who have attained age 60 regardless of the number of years of creditable service, or who work up to their full age and service requirements and retire under service retirement. If a member retires prior to reaching full age and service requirements, then their annuity multiplier remains the same as their first 15 years of creditable service.

(e) Notwithstanding the transition provisions of subparagraph (d), the member may replace the additional years of service required for minimum retirement age with the years of service that are purchased under RSA 100-A:4, IX. Therefore, allowing the member to retire between the age of 45 and 49 depending upon the years of service purchased. The purchased years under RSA 100-A:4, IX shall have an annual multiplier of 2.5 percent regardless of the percentage listed in subparagraph (d)

Group I and Group II Maximum Benefit:

Notwithstanding any other provision of this chapter to the contrary, for members who commenced service before July 1, 2009, or have attained vested status prior to January 1, 2012, a member's initial calculation of the retirement benefit granted under the provisions of RSA 100-A:5 or RSA 100-A:6 shall not exceed 100 percent of the member's highest year of earnable compensation. For members who commenced service on or after July 1, 2009, and have not attained vested status prior to January 1, 2012, a member's maximum retirement benefit granted under the provisions of RSA 100-A:5 or RSA 100-A:6 shall not exceed the lesser of 85 percent of the member's average final compensation or \$120,000. Nothing in this section shall affect the ability of a member to receive disability benefits pursuant to RSA 100-A:6, II(b) and (c) or RSA 100-A:6, II(e) and (f). This provision shall not limit the application of supplemental allowances.

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New Provisions under Consideration:

Earnable Compensation:

Section 2: Earnable Compensation. Amend RSA 100-A:1, XVII to read as follows:

(a) For **group I** members who have attained vested status prior to January 1, 2012 the full base rate of compensation paid, as determined by the employer, plus any overtime pay, holiday and vacation pay, sick pay, longevity or severance pay, cost of living bonus, annual attendance stipend or bonus, additional pay for extracurricular and instructional activities for full-time teachers and full-time employees who are employed in paraprofessional or support position, additional pay for instructional activities of full-time faculty of the community college system, and any military differential pay, plus the fair market value of non-cash compensation paid to, or on behalf of, the member for meals or living quarters if subject to federal income tax, but excluding other compensation except cash incentives paid by an employer to encourage members to retire, supplemental pay paid by the employer while the member is receiving workers' compensation, and teacher development pay that is not part of the contracted annual salary. However, earnable compensation in the final 12 months of creditable service prior to termination of employment shall be limited to 1-1/2 times the higher of the earnable compensation in the 12-month period preceding the final 12 months or the highest compensation year as determined for the purpose of calculating average final compensation, but excluding the final 12 months. Any compensation received in the final 12 months of employment in excess of such limit shall not be subject to member or employer contributions to the retirement system and shall not be considered in the computation of average final compensation. Provided that, the annual compensation limit for members of governmental defined benefit pension plans under section 401(a)(17) of the United States Internal Revenue Code of 1986, as amended, shall apply to earnable compensation for all employees **and** teachers who first become eligible for membership in the system on or after July 1, 1996. Earnable compensation shall not include compensation in any form paid later than 120 days after the member's termination of employment from a retirement eligible position, with the limited exceptions of disability related severance pay paid to a member or retiree no later than 120 days after a decision by the board of trustees granting the member or retiree disability retirement benefits pursuant to RSA 100-A:6 and of severance pay which a member was entitled to be paid within 120 days after termination but which, without the consent of the member and not through any fault of the member, was paid more than 120 days after the member's termination. The member shall have the burden of proving to the board of trustees that any severance payment paid later than 120 days after the member's termination of employment is earnable compensation and meets the requirements of an asserted exception to the 120-day post-termination payment requirement.

(b)(1) For **group I** members who have not attained vested status prior to January 1, 2012, the full base rate of compensation paid, as determined by the employer, plus compensation over base pay. Compensation over base pay shall include as applicable, subject to subparagraphs (2) **and** (3), any overtime pay, cost of living bonus, annual attendance stipend or bonus, annual longevity pay, additional pay for extracurricular and instructional activities for fulltime teachers and full-time employees who are employed in paraprofessional or support position, additional pay for instructional activities of full-time faculty of the community college system and any military differential pay, plus the fair market value of

non-cash compensation paid to, or on behalf of, the member for meals or living quarters if subject to federal income tax, but excluding other compensation except supplemental pay paid by the employer while the member is receiving workers' compensation and teacher development pay that is not part of the contracted annual salary. **(2)** Earnable compensation shall not include compensation for extra and special duty for members who commence service on and after July 1, 2011. **(3)** Earnable compensation shall not include incentives to encourage members to retire, severance pay or end-of-career additional longevity payments, and pay for unused sick or vacation time. Earnable compensation in the final 12 months of creditable service prior to termination of employment shall be limited to 1 1/2 times the higher of the earnable compensation in the 12-month period preceding the final 12 months or the highest compensation year as determined for the purpose of calculating average final compensation, but excluding the final 12 months. Any compensation received in the final 12 months of employment in excess of such limit shall not be subject to member or employer contributions to the retirement system and shall not be considered in the computation of average final compensation. Provided that, the annual compensation limit for members of governmental defined benefit pension plans under section 401(a)(17) of the United States Internal Revenue Code of 1986, as amended, shall apply to earnable compensation for all employees **and** teachers who first become eligible for membership in the system on or after July 1, 1996. Earnable compensation shall not include compensation in any form paid later than 120 days after the member's termination of employment from a retirement eligible position.

(c) For group II members who attained vested status prior to September 1, 2013, the full base rate of compensation paid, as determined by the employer, plus any overtime pay, holiday and vacation pay, sick pay, longevity or severance pay, cost of living bonus, annual attendance stipend or bonus, additional pay for instructional activities, and any military differential pay, plus the fair market value of non-cash compensation paid to, or on behalf of, the member for meals or living quarters if subject to federal income tax, but excluding other compensation except cash incentives paid by an employer to encourage members to retire, supplemental pay paid by the employer while the member is receiving workers' compensation. Compensation for extra and special duty, as reported by the employer, shall be included but limited during the highest 3 years of creditable service as provided in paragraph XVIII. However, earnable compensation in the final 12 months of creditable service prior to termination of employment shall be limited to 1-1/2 times the higher of the earnable compensation in the 12-month period preceding the final 12 months or the highest compensation year as determined for the purpose of calculating average final compensation, but excluding the final 12 months. Any compensation received in the final 12 months of employment in excess of such limit shall not be subject to member or employer contributions to the retirement system and shall not be considered in the computation of average final compensation. Provided that, the annual compensation limit for members of governmental defined benefit pension plans under section 401(a)(17) of the United States Internal Revenue Code of 1986, as amended, shall apply to earnable compensation for all permanent firemen and permanent policemen who first become eligible for membership in the system on or after July 1, 1996. Earnable compensation shall not include compensation in any form paid later than 120 days after the member's termination of employment from a retirement-eligible position, with the limited exceptions of disability-related severance pay paid to a member or retiree no later than 120 days after a decision by the board of trustees granting the member or retiree disability retirement benefits pursuant to RSA 100-A:6 and of severance pay which a member was entitled to be paid within 120 days

after termination but which, without the consent of the member and not through any fault of the member, was paid more than 120 days after the member's termination. The member shall have the burden of proving to the board of trustees that any severance payment paid later than 120 days after the member's termination of employment is earnable compensation and meets the requirements of an asserted exception to the 120-day post-termination payment requirement.

(d)(1) For group II members who have not attained vested status prior to September 1, 2013, the full base rate of compensation paid, as determined by the employer, plus compensation over base pay. Compensation over base pay shall include, as applicable and subject to subparagraphs (2) and (3), any overtime pay, cost of living bonus, annual attendance stipend or bonus, annual longevity pay, compensation for extra and special duty, and any military differential pay, plus the fair market value of non-cash compensation paid to or on behalf of the member for meals or living quarters if subject to federal income tax, but excluding other compensation except supplemental pay paid by the employer while the member is receiving workers' compensation that is not part of the contracted annual salary. (2) Earnable compensation shall not include compensation for extra and special duty for members who began service on or after July 1, 2011. (3) Earnable compensation shall not include incentives to encourage members to retire, severance pay, end-of-career additional longevity payments, or pay for unused sick or vacation time. Earnable compensation in the final 12 months of creditable service prior to termination of employment shall be limited to 1 1/2 times the higher of the earnable compensation in the 12-month period preceding the final 12 months or the highest compensation year as determined for the purpose of calculating average final compensation, but excluding the final 12 months. Any compensation received in the final 12 months of employment in excess of such limit shall not be subject to member or employer contributions to the retirement system and shall not be considered in the computation of average final compensation. Provided that, the annual compensation limit for members of governmental defined benefit pension plans under section 401(a)(17) of the United States Internal Revenue Code of 1986, as amended, shall apply to earnable compensation for all permanent firemen and permanent policemen who first become eligible for membership in the system on or after July 1, 1996. Earnable compensation shall not include compensation in any form paid later than 120 days after the member's termination of employment from a retirement-eligible position.

Average Final Compensation:

Section 3: Average Final Compensation. Amend RSA 100-A:1, XVIII to read as follows:

(a) For **group I** members who have attained vested status prior to January 1, 2012, the average annual earnable compensation of a member during his or her highest 3 years of creditable service, or during all of the years in his or her creditable service if less than 3 years.

(b) For group II members who attained vested status prior to September 1, 2013, the average annual earnable compensation shall be calculated based on the member's highest 3 years of creditable service, or during all years of creditable service if less than 3 years. For this calculation, the average annual compensation for extra and special duty in the 3 years shall not exceed the average annual amount paid to the member for extra and special duty over the member's last 7 years of creditable service on or after

July 1, 2009, as reported by the employer in accordance with RSA 100-A:16, VI, or over all the years of creditable service on or after July 1, 2009, if less than 7 years.

(c) For group I members who commenced service on or after July 1, 2011 or who have not attained vested status prior to January 1, 2012, the average annual earnable compensation of a member during his or her highest 5 years of creditable service, or during all of the years in his or her creditable service if less than 5 years. For purposes of inclusion in this calculation, the average percentage of compensation paid in excess of the full base rate of compensation in the highest 5 years shall not exceed the average percentage of compensation paid in excess of the full base rate of compensation over all the member's years of service on or after January 1, 2012, but excluding the highest 5 years.

(d)(1) For group II members who commenced service prior to July 1, 2011 and who have not attained vested status prior to **September 1, 2013**, the average annual earnable compensation of a member during his or her highest 5 years of creditable service, or during all of the years in his or her creditable service if less than 5 years. For purposes of inclusion in this calculation, the average percentage of compensation paid in excess of the full base rate of compensation in the highest 5 years shall not exceed the average percentage of compensation paid in excess of the full base rate of compensation over all the member's years of service on or after **September 1, 2013**. (2) For group II members who commenced service on or after July 1 the average annual earnable compensation of a member during his or her highest 5 years of creditable service, or during all of the years in his or her creditable service if less than 5 years. For purposes of inclusion in this calculation, the average percentage of compensation paid in excess of the full base rate of compensation in the highest 5 years shall not exceed the average percentage of compensation paid in excess of the full base rate of compensation over all the member's years of service on or after January 1, 2012, but excluding the highest 5 years.

Group II Benefit Multiplier and Normal Retirement Eligibility (Sections 4 through 7 of Bill):

Section 4: Group II Service Retirement Benefits. Amend RSA 100-A:5, II(a) to read as follows:

(a) Any group II member in service, who is in vested status before **September 1, 2013**, who has attained age 45 and completed 20 years of creditable service, and any group II member who commenced service on or after July 1, 2011 who has attained age 50 and completed 25 years of creditable service, and group II members who have not attained vested status prior to **September 1, 2013** as provided in the transition provisions in RSA 100-A:5, II(d), or any group II member in service who has attained age 60 regardless of the number of years of creditable service, may retire on a service retirement allowance upon written application to the board of trustees setting forth at what time not less than 30 days nor more than 90 days subsequent to the filing thereof the member desires to be retired, notwithstanding that during such period of notification the member may have separated from service. Provided, however, that a group II member who commenced service on or after July 1, 2011 shall not receive a service retirement allowance until attaining the age of 52.5; but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the date on which benefits commence precedes the month after which the member attains 52.5 years of age, by 1/4 of one percent.

(b) Upon service retirement, a group II member shall receive a service retirement allowance which shall consist of:

(1) A member annuity which shall be the actuarial equivalent of his or her accumulated contributions at the time of retirement; and

Section 5: Group II Service Retirement Benefits. Amend RSA 100-A:5, II(b)(2) to read as follows:

(2) For members who are in vested status before **September 1, 2013**, a state annuity which, together with his or her member annuity, shall be equal to 2- ½ percent of his or her average final compensation multiplied by the number of years of his or her creditable service not in excess of 40 years, or for members who commenced service on or after July 1, 2011, a state annuity which, together with his or her member annuity, shall be equal to 2 percent of his or her average final compensation multiplied by the number of years of his or her creditable service not in excess of 42.5 years, and group II members who have not attained vested status prior to January 1, [2012] **September 1, 2013** shall be as provided in the transition provisions in RSA 100-A:5, II(d) with the maximum number of years of creditable service not in excess of 40.5 years.

Section 6: Group II Service Retirement Benefits. Amend RSA 100-A:5, II(c)(1) to read as follows:

(c)(1) Notwithstanding any provision of RSA 100-A to the contrary, any group II member who is in vested status before **September 1, 2013** and has retired on or after the effective date of this subparagraph after attaining the age of 45 with at least 20 years of creditable service, and any group II member who commenced service on or after July 1, 2011 and retires after the effective date of this subparagraph after attaining the age of 50 with at least 25 years of creditable service, and group II members who have not attained vested status prior to **September 1, 2013** who qualify as provided in the transition provisions in RSA 100-A:5, II(d), shall receive a minimum annual service retirement allowance of \$10,000. If such group II member has elected to convert the retirement allowance into an optional allowance for the surviving spouse under RSA 100-A:13, the surviving spouse shall be entitled to a proportional share of the \$10,000.

Section 7: Group II Service Retirement Benefits. Amend RSA 100-A:5, II(d) to read as follows:

(d) Active group II members who commenced service prior to July 1, 2011 and who have not attained vested status prior to **September 1, 2013** shall be subject to the following transition provisions for years of service required for regular service retirement, the minimum age for regular service retirement, and for the first 15 years of creditable service, the multiplier used to calculate the retirement annuity according to the following table:

Creditable Service as of January 1, 2012	Minimum Years of Service	Minimum Age Attained	Annuity Multiplier*
(1) Less than 1 year	24 Years	Age 49	2.1%
(2) At least 1 year but less than 2 years	24 Years	Age 49	2.1%
(3) At least 2 years but less than 3 years	24 Years	Age 49	2.1%
(4) At least 3 years but less than 4 years	24 Years	Age 49	2.1%
(5) At least 4 years but less than 5 years	23 Years	Age 48	2.2%
(6) At least 5 years but less than 6 years	23 Years	Age 48	2.2%
(7) At least 6 years but less than 7 years	22 Years	Age 47	2.3%
(8) At least 7 years but less than 8 years	22 Years	Age 47	2.3%
(9) At least 8 years but less than 9 years	21 Years	Age 46	2.4%

* The annuity multiplier applied to creditable service earned beyond 15 years of creditable service, shall be 2.5 percent, but only for group II members in service who have attained age 60 regardless of the number of years of creditable service, or who work up to their full age and service requirements and retire under service retirement. If a member retires prior to reaching full age and service requirements, then their annuity multiplier remains the same as their first 15 years of creditable service.

(e) Notwithstanding the transition provisions of subparagraph (d), the member may replace the additional years of service required for minimum retirement age with the years of service that are purchased under RSA 100-A:4, IX. Therefore, allowing the member to retire between the age of 45 and 49 depending upon the years of service purchased. The purchased years under RSA 100-A:4, IX shall have an annual multiplier of 2.5 percent regardless of the percentage listed in subparagraph (d).

Group I and Group II Maximum Benefit (Section 8 of bill):

(a) Notwithstanding any other provision of this chapter to the contrary, for members who commenced service before **January 1, 1999**, a member's initial calculation of the retirement benefit granted under the provisions of RSA 100-A:5 or RSA 100-A:6 shall not exceed 100 percent of the member's highest year of earnable compensation.

(b) For members who commenced service on or after **January 1, 1999 and before July 1, 2011**, a member's maximum retirement benefit granted under the provisions of RSA 100-A:5 or RSA 100-A:6 shall not exceed the lesser of **100** percent of the member's average final compensation or **\$125,000**.

(c) For members who commenced service on or after **July 1, 2011**, a member's maximum retirement benefit granted under the provisions of RSA 100-A:5 or RSA 100-A:6 shall not exceed the lesser of **85** percent of the member's average final compensation or **\$125,000**.

(d) Nothing in this section shall affect the ability of a member to receive disability benefits pursuant to RSA 100-A:6, II(b) and (c). This provision shall not limit the application of supplemental allowances.

Funding (Section 30 of Bill):

The sum of \$27,500,000 per state fiscal year is hereby appropriated to the retirement system to fund the cost of benefits under this act. Such sums shall be transferred on July 1 each year until 2034. The governor is authorized to draw a warrant for said sums out of any money in the treasury not otherwise appropriated.

Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status:

Section 9: Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2012" with "September 1, 2013": 21-I:30, VIII; 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5, II(b)(2); 100-A:5, II(c)(1); 100-A:5, II(d)-(except table heading); 100-A:6, II(b); 100-A:6, II(d)(1) and (3); 100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

Section 10: Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status. Amend the following RSAs by replacing "September 1, 2013" with "January 1, 2014": 21-I:30, VIII; 100-A:1, XVII(c); 100-A:1, XVII(d)(1); 100-A:1, XVIII(b); 100-A:1, XVIII(d)(1); 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5, II(b)(2); 100-A:5, II(c)(1); 100-A:5, II(d)-(except table heading); 100-A:6, II(b); 100-A:6, II(d)(1) and (3); 100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d; 100-A:5, II (d).

Section 11: Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2014" with "January 1, 2015": 21-I:30, VIII; 100-A:1, XVII(c); 100-A:1, XVII(d)(1); 100-A:1, XVIII(b); 100-A:1, XVIII(d)(1); 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5, II(b)(2); 100-A:5, II(c)(1); 100-A:5, II(d)-(except table heading); 100-A:6, II(b); 100-A:6, II(d)(1) and (3); 100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

Section 12: Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2015" with "January 1, 2016": 21-I:30, VIII; 100-A:1, XVII(c); 100-A:1, XVII(d)(1); 100-A:1, XVIII(b); 100-A:1, XVIII(d)(1); 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5, II(b)(2); 100-A:5, II(c)(1); 100-A:5, II(d)-(except table heading); 100-A:6, II(b); 100-A:6, II(d)(1) and (3); 100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

Section 13: Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2016" with "January 1, 2017": 21-I:30, VIII; 100-A:1, XVII(c); 100-A:1, XVII(d)(1); 100-A:1, XVIII(b); 100-A:1, XVIII(d)(1); 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5, II(b)(2); 100-A:5, II(c)(1); 100-A:5, II(d)-(except table heading); 100-A:6, II(b); 100-A:6, II(d)(1) and (3); 100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

Section 14: Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2017" with "January 1, 2018": 21-I:30, VIII; 100-A:1, XVII(c); 100-A:1, XVII(d)(1); 100-A:1, XVIII(b); 100-A:1, XVIII(d)(1); 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5, II(b)(2); 100-A:5, II(c)(1); 100-A:5, II(d)-(except table heading); 100-A:6, II(b); 100-A:6, II(d)(1) and (3); 100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

Section 15: Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2018" with "January 1, 2019": 21-I:30, VIII; 100-A:1, XVII(c); 100-A:1, XVII(d)(1); 100-A:1, XVIII(b); 100-A:1, XVIII(d)(1); 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5, II(b)(2); 100-A:5, II(c)(1); 100-A:5, II(d)-(except table heading); 100-A:6, II(b); 100-A:6, II(d)(1) and (3); 100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

Section 16: Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2019" with "January 1, 2020": 21-I:30, VIII; 100-A:1, XVII(c); 100-A:1, XVII(d)(1); 100-A:1, XVIII(b); 100-A:1, XVIII(d)(1); 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5, II(b)(2); 100-A:5, II(c)(1); 100-A:5, II(d)-(except table heading); 100-A:6, II(b); 100-A:6, II(d)(1) and (3); 100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

Section 17: Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2020" with "January 1, 2021": 21-I:30, VIII; 100-A:1, XVII(c); 100-A:1, XVII(d)(1); 100-A:1, XVIII(b); 100-A:1, XVIII(d)(1); 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5, II(b)(2); 100-A:5, II(c)(1); 100-A:5, II(d)-(except table heading); 100-A:6, II(b); 100-A:6, II(d)(1) and (3); 100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

Section 18 of the bill does not pertain to NHRS.

Sections 19-29 shall take effect January 1, 2034 and effectively cleanup the language references in various sections of the code related to Tier B members that have reverted back to Tier A benefit provisions.

Section 31 Repeal. RSA 100-A:5, II(d)(9), relative to group II service retirement benefits.

Section 32 Repeal. RSA 100-A:5, II(d)(8), relative to group II service retirement benefits.

Section 33 Repeal. RSA 100-A:5, II(d)(7), relative to group II service retirement benefits.

Section 34 Repeal. RSA 100-A:5, II(d)(6), relative to group II service retirement benefits.

Section 35 Repeal. RSA 100-A:5, II(d)(5), relative to group II service retirement benefits.

Section 36 Repeal. RSA 100-A:5, II(d)(4), relative to group II service retirement benefits.

Section 37 Repeal. RSA 100-A:5, II(d)(3), relative to group II service retirement benefits.

Section 38 Repeal. RSA 100-A:5, II(d)(2), relative to group II service retirement benefits.

Section 39 Repeal. RSA 100-A:5, II(d), relative to group II service retirement benefits.

Section 40 Repeal. RSA 100-A:1, XXXVII(d)(1) relative to group II service retirement definition.

Section 41 Effective Date.

- I. Sections 10 and 31 of this act shall take effect January 1, 2026.
- II. Sections 11 and 32 of this act shall take effect January 1, 2027.
- III. Sections 12 and 33 of this act shall take effect January 1, 2028.
- IV. Sections 13 and 34 of this act shall take effect January 1, 2029.
- V. Sections 14 and 35 of this act shall take effect January 1, 2030.
- VI. Sections 15 and 36 of this act shall take effect January 1, 2031.
- VII. Sections 16 and 37 of this act shall take effect January 1, 2032.
- VIII. Sections 17 and 38 of this act shall take effect January 1, 2033.
- IX. Sections 18 through 29, and 39 of this act shall take effect January 1, 2034.
- X. The remainder of this act shall take effect 60 days after its passage.

DRAFT

Actuarial Statement

Under the proposed scenario outlined in the new provisions, the impact would be reflected in the next rate-setting valuation as of June 30, 2025, which determines the rates for the 2028-2029 biennium. Since the rates for the 2028-2029 biennium are unknown at this time, only the net impact of the proposal is shown.

Pension Results

State

Increase (Decrease) in Employer Pension Rates as a Percent of Payroll - State				
	Employees	Teachers	Police	Fire
Normal Cost %	0.01%	N/A	1.01%	0.86%
UAAL %	(0.01)%	N/A	(1.31)%	(0.83)%
Total Impact of Proposal	0.00%	N/A	(0.30)%	0.03%

Expected Employer Dollar Increase (Decrease) Due to Proposal - State (\$ Millions)					
	Employees	Teachers	Police	Fire	Total*
FY 2025	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2026	-	-	-	-	-
FY 2027	-	-	-	-	-
FY 2028	-	-	(0.33)	-	-

Political Subdivisions

Increase (Decrease) in Employer Pension Rates as a Percent of Payroll - Political Subdivisions				
	Employees	Teachers	Police	Fire
Normal Cost %	0.01%	0.02%	1.01%	0.86%
UAAL %	(0.01)%	0.02%	(1.31)%	(0.83)%
Total Impact of Proposal	0.00%	0.04%	(0.30)%	0.03%

Expected Employer Dollar Increase (Decrease) Due to Proposal - Pol. Sub. (\$ Millions)					
	Employees	Teachers	Police	Fire	Total*
FY 2025	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2026	-	-	-	-	-
FY 2027	-	-	-	-	-
FY 2028	-	0.57	(0.89)	0.05	(0.27)

* Totals may not add due to rounding.

Contribution rates for fiscal years 2026 and 2027 have been certified, and are therefore not subject to change. The dollar-amount increases shown for FY 2028 above represent the impact of this proposal to that fiscal year alone. Expected increases to employer contributions for future fiscal years are these amounts increased with wage inflation.

**Actuarial Statement
(Continued)**

Increase (Decrease) in Unfunded Actuarial Accrued Liabilities Due to Proposal as of June 30, 2023 Increased with Interest to June 30, 2025 (\$ Millions)				
Employees	Teachers	Police	Fire	Total*
\$ (1.4)	\$ 1.7	\$ (75.9)	\$ (22.7)	\$ (98.2)

** Totals may not add due to rounding.*

The increase in the employer contribution rates and UAAL reflects the annual appropriation of \$27,500,000 expected to be made from July 1, 2025 through July 1, 2034 (a total of 10 annual appropriation payments).

DRAFT

Comment 1 — We have reflected the change beginning in fiscal year 2028, the next year for which board certification of employer pension contribution rates is scheduled. Actual employer contribution rates for FY 2028 will be based on the June 30, 2025 actuarial valuation and may differ. Actual dollar amounts will be determined based on actual payroll and may differ. As written, the bill will affect all future years. Calculation of the estimated dollar impact on years beyond FY 2028 was beyond the scope of this request.

Comment 2 — The \$27,500,000 annual appropriation was assumed to be shared between Group II members and allocated based on the proportion of the increase of the proposed benefit changes. Future appropriations were adjusted with interest to July 1, 2025 and added to the actuarial value of assets for this analysis in order to approximate the net effect of the bill. Future actuarial valuations will recognize actual appropriations as they are made.

Comment 3 — We assumed that the first annual appropriation would occur on July 1, 2025. This results in a total of 10 annual appropriations, including July 1, 2034. The effective date of the bill is 60 days after passage. If the effective date of the bill is after July 1, 2025, the annual appropriation payments required may be less than 10 payments and will change the results of our analysis.

Comment 4 — The results of this analysis assume that the annual appropriation of \$27,500,000 for each fiscal year from July 1, 2025 through July 1, 2034 will be made. If the appropriation is not paid, the results of the proposed change will be higher than shown herein. For instance, if no appropriation is made, the employer contribution rates for Police and Fire would increase by 3.17% and 2.36%, respectively, and the expected increase in the actuarial accrued liabilities would be as follows.

Increase (Decrease) in Unfunded Actuarial Accrued Liabilities Due to Proposal as of June 30, 2023 Increased with Interest to June 30, 2025 (\$ Millions)				
Employees	Teachers	Police	Fire	Total*
\$ (1.4)	\$ 1.7	\$ 84.7	\$ 25.3	\$ 110.3

* Totals may not add due to rounding.

Note that the decrease in the Employee liability is a result of the cost method allocating increases in present value of benefits across accrued liability and present value of future normal cost.

Comment 5 — Section 3 amends RSA 100-A:1, XVIII. In paragraph (d)(2) the amendment reads in part “For group II members who commenced service on or after July 1 the average annual earnable compensation...” We believe the intention is for the bill to read “on or after July 1, 2011” and have interpreted as such.

Comment 6 — It is reasonable to assume that Tier B members will delay retirement in order to increase benefits. As such, rates of retirement for affected Group II members were reduced prior to the applicable year of the proposed changes, and the retirement rate in the first year in which the proposed changes would take effect was increased. It was assumed that members would retire under the current age 45 with 20 years of service retirement patterns for Group II members thereafter.

Comment 7 — If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the authors of the report prior to making such decision.

Comment 8 — No statement in this report is intended to be interpreted as a recommendation in favor of the changes, or in opposition to them.

Comment 9 — In the event that more than one plan change is being considered, it is very important to remember that the results of separate actuarial valuations cannot generally be added together to produce a correct estimate of the combined effect of all of the changes. The total can be considerably greater than the sum of the parts due to the interaction of various plan provisions with each other, and with the assumptions that must be used.

Comment 10 — This report is intended to describe the financial effect of the proposed plan changes on the Retirement System. Except as otherwise noted, potential effects on other benefit plans were not considered.

Comment 11 — Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

Comment 12 — This calculation is based upon present and proposed plan provisions that are outlined in the report. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the authors of this report prior to relying on information in the report.

Comment 13 — This report was prepared using our proprietary valuation model and related software which, in our professional judgment, has the capability to provide results that are consistent with the purposes of the valuation, and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

Comment 14 — Please refer to the June 30, 2023 actuarial funding valuation report dated July 26, 2024 for additional discussions regarding the risks associated with measuring the accrued liability and the actuarially determined contribution. Additional assessment of risks was outside the scope of this assignment.