

HB 534-FN - AS INTRODUCED

2025 SESSION

25-0872

05/11

HOUSE BILL ***534-FN***

AN ACT relative to the calculation of average final compensation under the retirement system.

SPONSORS: Rep. M. Pearson, Rock. 34; Rep. Bordes, Belk. 5; Rep. Proulx, Hills. 15; Rep. Soucy, Merr. 21; Rep. Gregg, Hills. 7; Rep. MacKenzie, Hills. 40; Rep. Coker, Belk. 2; Sen. Gannon, Dist 23

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill excludes supplemental pay paid by the employer while the member is receiving workers' compensation from the calculation of the average percentage of compensation paid in excess of the full base rate of compensation.

Explanation: Matter added to current law appears in ***bold italics***.
Matter removed from current law appears ~~[in brackets and struckthrough.]~~
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Five

AN ACT relative to the calculation of average final compensation under the retirement system.

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

1 1 New Subparagraph; New Hampshire Retirement System; Calculation of Average Final
2 Compensation. Amend RSA 100-A:1, VIII by inserting after subparagraph (c) the following new
3 subparagraph:

4 (d) Notwithstanding the foregoing, any periods in which the member receives
5 supplemental pay paid by the employer while the member is receiving workers' compensation shall
6 be excluded from the calculation of the average percentage of compensation paid in excess of the full
7 base rate of compensation.

8 2 Effective Date. This act shall take effect 60 days after its passage.

HB 534-FN- FISCAL NOTE
 AS INTRODUCED

AN ACT relative to the calculation of average final compensation under the retirement system.

FISCAL IMPACT: This bill does not provide funding, nor does it authorize new positions.

Estimated State Impact				
	FY 2025	FY 2026	FY 2027	FY 2028
Revenue	\$0	\$0	\$0	\$0
<i>Revenue Fund(s)</i>	None			
Expenditures*	\$0	Indeterminable		
<i>Funding Source(s)</i>	General Fund			
Appropriations*	\$0	\$0	\$0	\$0
<i>Funding Source(s)</i>	None			

*Expenditure = Cost of bill

*Appropriation = Authorized funding to cover cost of bill

Estimated Political Subdivision Impact				
	FY 2025	FY 2026	FY 2027	FY 2028
Revenue	\$0	\$0	\$0	\$0
Expenditures	\$0	Indeterminable		

*The New Hampshire Retirement System states it is not able to separate the fiscal impact of this legislation between county and local government, therefore the fiscal impact is shown together as political subdivisions.

METHODOLOGY:

This bill excludes supplemental pay provided by the employer while the member is receiving workers' compensation from being factored into the calculation of the average percentage of compensation paid beyond the full base rate of compensation.

The New Hampshire Retirement System (NHRS) states that cost savings will be achieved whenever the average percentage of compensation over base pay decreases, as this will limit the amount of compensation over base pay that can be included in the average final compensation (AFC) for determining benefit levels. There is no data available on the occurrence of workers' compensation claims or the pay resulting from them. Therefore, the cost reduction to the NHRS is indeterminable.

The NHRS's actuary provided valuations based upon data used in the annual actuarial valuation as of June 30, 2023. The valuation assumes an annual rate of interest of 6.75%, payroll growth assumed to be 3.00% per year, and uses the entry-age actuarial cost valuation method. Actual FY 2028 employer contribution rates will be based on the June 30, 2025 actuarial valuation and could differ.

Additionally, the actuary estimates costs by calculating the average percentage of compensation paid above the base rate. It is assumed that, on average, 10% of active members will receive workers' compensation for six consecutive months at some point in their careers. This compensation is estimated to be at least 50% over their base salary during the given year, raising the average percentage of compensation over base. By excluding workers' compensation pay from this calculation as the bill suggests, the average percentage over base would be lowered, resulting in a slightly lower Average Final Compensation (AFC). The impact on AFC depends on the member's career length, with Group I members generally having shorter careers. According to the estimates referenced in the tables below it would result in a decrease to the Unfunded Actuarial Accrued Liability (UAAL) of \$17.5 million.

Increase (Decrease) in Unfunded Actuarial Accrued Liabilities (UAAL) Due to Proposal as of June 30, 2023 Increased with Interest to June 30, 2025 (\$ Millions)				
Employees	Teachers	Police	Fire	Total
\$ (6.8)	(8.0)	(1.8)	(0.8)	(17.5)

Although the actuary lacks data for a detailed cost analysis of the proposed law change as there are many variables unknown or not available at this time, such as the number of members currently/previously receiving workers' compensation, the length of time benefits are expected to be paid, the number of active participants that may receive workers' compensation in the future, and the timing of the participants career which workers' compensation is received, the change is anticipated to reduce costs to the NHRS by an indeterminable amount. The table below shows a potential decrease in employer rates using the annual actuarial valuation as of June 30, 2023.

Increase (Decrease) in Employer Pension Rates as a Percent of Payroll	
	Net Impact of Proposal
Employees	(0.04%)
Teachers	(0.09%)
Police	(0.06%)
Fire	(0.05%)

Lastly, the NHRS states there will be an indeterminable increase in expenditures due to administrative costs relating to the reprogramming of the pension administrative system.

AGENCIES CONTACTED:

New Hampshire Retirement System