

HB 581-FN - AS INTRODUCED

2025 SESSION

25-0750

09/11

HOUSE BILL            **581-FN**

AN ACT                establishing a state retirement plan group for new state employee members of the retirement system.

SPONSORS:            Rep. D. McGuire, Merr. 14; Rep. Osborne, Rock. 2; Rep. Kofalt, Hills. 32; Rep. C. McGuire, Merr. 27; Rep. Layon, Rock. 13; Rep. Seaworth, Merr. 12; Sen. Murphy, Dist 16; Sen. Pearl, Dist 17; Sen. Innis, Dist 7

COMMITTEE:          Executive Departments and Administration

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ANALYSIS

This bill establishes a group III, defined contribution state retirement plan for new state employee members of the retirement system, who begin service on or after July 1, 2025. All new employees of state employers on and after July 1, 2025 will be required to join the group III defined contribution plan as administered by the retirement system, and any other group I employees may join.

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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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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                    establishing a state retirement plan group for new state employee members of the retirement system.

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

1            1    Participation by Members; Retirement System; Defined Contribution Plan. Amend the  
2 introductory paragraph of RSA 100-A:3, I(a) to read as follows:

3            I.(a) Any person who becomes [~~an~~] ***a political subdivision*** employee, teacher, permanent  
4 policeman, or permanent fireman after the date of establishment, ***or who begins state employee***  
5 ***service before July 1, 2025***, working in a position for an employer under this chapter as  
6 determined by common law standards, shall become a member of the ***defined benefit*** retirement  
7 system as a condition of employment. In addition, employees appointed to an unclassified position  
8 with no fixed term on or after July 1, 2011 ***and before July 1, 2025*** shall become members of the  
9 ***defined benefit*** retirement system as a condition of employment, if they are receiving benefits from  
10 the retirement system. Any retirement benefit collected by such an unclassified employee shall be  
11 suspended during the period of employment. Membership in the retirement system shall be optional  
12 in the case of elected officials, officials appointed for fixed terms, employees appointed to an  
13 unclassified position with no fixed term prior to July 1, 2011, or those employees of the general court  
14 who are eligible for membership in the retirement system. [~~Other~~] Elected officials and officials  
15 appointed for fixed terms shall, however, be eligible for membership in the retirement system only  
16 under the following conditions:

17            2    Unfunded Accrued Liability; Group III Members. Amend RSA 100-A:16, II(e)(1) to read as  
18 follows:

19            (e)(1) Immediately following the actuarial valuation prepared as of June 30 of each fiscal  
20 year, the board shall have an actuary determine the amount of the unfunded accrued liability for  
21 each member classification, proportionally reduced using sums dedicated as provided in RSA 21-I:95,  
22 II, as the amount of the total liabilities of the state annuity accumulation fund on account of such  
23 classification which is not dischargeable by the total of the funds in hand to the credit of the state  
24 annuity accumulation fund on account of such classification, and the aforesaid normal contributions  
25 to be made on account of the members in such classification during the remainder of their active  
26 service. The amount so determined with respect to each member classification shall be known as the  
27 "unfunded accrued liability" with respect to such classification. ***The accrued liability***  
28 ***contribution percentage chargeable to a group III employer shall be determined by***  
29 ***charging the group I member accrued liability contribution for the group III members.***



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1       100-A:63 Administration of Plan. The commission may contract with a third-party  
2 administrator for the plan for the administration of assets accumulated under each participant's  
3 account.

4       100-A:64 Powers of the Commission. The commission, in addition to its powers and duties set  
5 forth in this subdivision and RSA 101-B, shall have the following powers and duties to establish the  
6 plan and trust and administer the provisions of this subdivision:

7           I. The commission may commingle or pool assets with the assets of other persons or entities.

8           II. The commission shall pay all administrative fees, costs, and expenses of managing,  
9 investing and administering the plan, and the individual investment accounts from the balance of  
10 such individual investment accounts except as otherwise provided under this subdivision or as the  
11 legislature otherwise provides by appropriation.

12          III. The commission shall have the power to change the terms of the plan as may be  
13 necessary to maintain the tax-qualified status of the plan.

14          IV. The commission may establish a process for election to participate in the plan by those  
15 employees eligible to do so for whom participation is not mandatory.

16          V. The commission may allow an inactive participant to maintain the participant's  
17 individual investment account within the plan.

18          VI. The commission shall ensure that participants are provided with educational materials  
19 about investment options and choices.

20       100-A:65 Contributions by Member. The member participating under this subdivision shall  
21 contribute 7 percent of earnable compensation to the plan.

22       100-A:66 Limitations on Contributions. Notwithstanding any other provisions of this plan, the  
23 annual total member contributions to each individual's account under this plan, including any  
24 additional voluntary contributions under RSA 101-B, may not exceed, for any limitation year, the  
25 amount permitted under 26 U.S.C. section 415 at any time. If the amount of a member's defined  
26 contribution plan contributions exceeds the limitation of 26 U.S.C. section 415(c) for any limitation  
27 year, the administrator shall take any necessary remedial action to correct an excess contribution.

28       100-A:67 Contributions by Employer. Employers under the plan shall contribute an amount  
29 equal to or greater than 5 percent of a member's earnable compensation for deposit in the member's  
30 individual account.

31       100-A:68 Investment of Individual Accounts.

32           I. A member's individual account shall be invested as authorized in RSA 101-B.

33           II. Except to the extent clearly set out in the terms of the investment plans offered by the  
34 employer to the employee, the employer is not liable to the participant for investment losses if the  
35 prudent investment standard has been met.

1           III. The employer, administrator, state, or commission, or a person or entity who is  
2 otherwise a fiduciary, is not liable for any participant's investment loss that results from the  
3 participant's directing the investment of plan assets allocated to the participant's account.

4           100-A:69 Vesting. Contributions and investment return attributable to contributions shall be  
5 100 percent vested as of the date of contribution or accrual.

6           100-A:70 Withdrawal of Funds. Distributions from an account of a member shall be permitted  
7 in the following circumstances, subject to applicable rules and limitations under federal regulations:

8           I. Termination of employment.

9           II. Retirement.

10          III. Upon turning age 59½ and still employed as limited by federal regulations.

11          IV. If the member becomes disabled.

12          V. If the member dies.

13          VI. Financial hardship as defined in applicable federal regulations.

14          VII. Required distributions.

15          100-A:71 Required Distributions. All payments under this subdivision shall start and be made  
16 in compliance with the minimum distribution requirements and incidental death benefit rules of  
17 Internal Revenue Code section 401(a)(9). The commission shall take any action and make any  
18 distributions it may determine are necessary to comply with those requirements.

19          100-A:72 Health Insurance Group Insurance Inclusion. Any retired member and his or her  
20 beneficiaries may participate in the retiree group insurance programs authorized by RSA 21-I:26  
21 through RSA 21-I:36 at his or her own expense unless otherwise provided.

22          4 Initial Funding; Appropriation. All initial fees, costs and expenses of establishing and  
23 administering the plan and investing the assets of the plan under RSA 100-A:59 through 100-A:72  
24 shall be borne by the state general fund until July 1, 2026, after which they will be borne by the  
25 participants and paid from assessments against the balances of the individual investment accounts  
26 as established by the commission. The governor is authorized to draw a warrant for the sum  
27 necessary for such administration out of any money in the treasury not otherwise appropriated.

28          5 Effective Date. This act shall take effect June 30, 2025.

**HB 581-FN- FISCAL NOTE**  
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**FISCAL IMPACT:** This bill provides an appropriation in Section 4.

<b>Estimated State Impact</b>				
	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Revenue</b>	\$0	\$0	\$0	\$0
<i>Revenue Fund(s)</i>	None			
<b>Expenditures*</b>	\$0	\$1,700,803	\$3,196,770	\$4,554,787
<i>Funding Source(s)</i>	General Fund and Various Agency Funds			
<b>Appropriations*</b>	\$0	Open Warrant	\$0	\$0
<i>Funding Source(s)</i>	General Fund			

\*Expenditure = Cost of bill

\*Appropriation = Authorized funding to cover cost of bill

**METHODOLOGY:**

This bill establishes a new group III membership class administered by the retirement system for state employees, other than teachers, police or fire, who begin service on or after July 1, 2025. The bill creates a new defined contribution plan that is administered by the Deferred Compensation Commission and the Executive Director. The New Hampshire Retirement System (NHRS) would not be responsible for administering the plan, and the sole involvement of NHRS would be assessing/collecting the accrued liability contribution percentage. All new group I employees of state employers on and after July 1, 2025 will be required to join the group III defined contribution plan and any current group I employee may join voluntarily. Each member would have an individual account and the ability to direct how it is invested among the fund options offered. This bill requires employees to contribute 7% of earnable income to the plan and employers 5% or greater of the member's earnable income to the plan. This bill provides a General Fund open warrant to cover all initial fees, costs and expenses of establishing and administering the plan and investing the assets of the plan under RSA 100-A:59 through 100-A:72.

The NHRS actuary provided valuations based upon data used to estimate the costs between the impact of the proposed defined contribution plan and the impact of the current defined benefit plan. The increase in the defined contribution plan beginning in FY 2026 has the assumptions

that the employer contribution will be the minimum required 5% of pay. The employer rate is applied to expected payroll for group I state employees hired on or after July 1, 2025 with the impact beginning in FY 2026 when the participation in the defined contribution plan would commence. The costs will continue to increase accordingly as more new hires are eligible for the plan.

**State Impact  
Defined Contribution Plan**

Expected Employer Dollar Increase (Decrease) Due to Proposal (Total DC Plan)				
	FY 2025	FY 2026	FY 2027	FY 2028
Employees		\$3,296,129	\$6,195,291	\$8,827,106
Police				
Fire				
<b>TOTAL</b>	\$0	\$3,296,129	\$6,195,291	\$8,827,106

The NHRS actuary states that the group III employer is required to contribute the portion of the group I employee defined benefit pension contribution rate that is applicable to the Unfunded Actuarial Accrued Liability (UAAL). Therefore, a reduction of the employer normal cost portion of the contribution attributable to the payroll of group I state employee hired after July 1, 2025 is expected. The FY 2026 and FY 2027 employer normal cost of 2.42% of payroll based on the June 30, 2023 funded valuation.

**State Impact  
Defined Benefit Plan**

Expected Employer Dollar Increase (Decrease) Due to Proposal (Total DB Plan)				
	FY 2025	FY 2026	FY 2027	FY 2028
Employees		(\$1,595,326)	(\$2,998,521)	(\$4,272,319)
Teachers				
Police				
Fire				
<b>TOTAL</b>	\$0	(\$1,595,326)	(\$2,998,521)	(\$4,272,319)

The Department of Administrative Services states that there would be no changes to retiree health benefits eligibility and therefore there are no new associated costs.

**AGENCIES CONTACTED:**

New Hampshire Retirement System and Department of Administrative Services