

HB 727-FN - AS INTRODUCED

2025 SESSION

25-0725

06/08

HOUSE BILL **727-FN**

AN ACT relative to the New Hampshire retirement system.

SPONSORS: Rep. Foote, Rock. 13; Rep. Bordes, Belk. 5; Sen. McGough, Dist 11

COMMITTEE: Executive Departments and Administration

ANALYSIS

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."

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

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

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

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

6 2 Earnable Compensation. Amend RSA 100-A:1, XVII to read as follows:

7 XVII. "Earnable compensation" shall mean:

8 (a) For **group I** members who have attained vested status prior to January 1, 2012 the
9 full base rate of compensation paid, as determined by the employer, plus any overtime pay, holiday
10 and vacation pay, sick pay, longevity or severance pay, cost of living bonus, annual attendance
11 stipend or bonus, additional pay for extracurricular and instructional activities for full-time teachers
12 and full-time employees who are employed in paraprofessional or support position, additional pay for
13 instructional activities of full-time faculty of the community college system, and any military
14 differential pay, plus the fair market value of non-cash compensation paid to, or on behalf of, the
15 member for meals or living quarters if subject to federal income tax, but excluding other
16 compensation except cash incentives paid by an employer to encourage members to retire,
17 supplemental pay paid by the employer while the member is receiving workers' compensation, and
18 teacher development pay that is not part of the contracted annual salary. [~~Compensation for extra
19 and special duty, as reported by the employer, shall be included but limited during the highest 3
20 years of creditable service as provided in paragraph XVIII.~~]However, earnable compensation in the
21 final 12 months of creditable service prior to termination of employment shall be limited to 1-1/2
22 times the higher of the earnable compensation in the 12-month period preceding the final 12 months
23 or the highest compensation year as determined for the purpose of calculating average final
24 compensation, but excluding the final 12 months. Any compensation received in the final 12 months
25 of employment in excess of such limit shall not be subject to member or employer contributions to
26 the retirement system and shall not be considered in the computation of average final compensation.
27 Provided that, the annual compensation limit for members of governmental defined benefit pension
28 plans under section 401(a)(17) of the United States Internal Revenue Code of 1986, as amended,
29 shall apply to earnable compensation for all employees[; **and** teachers[; ~~permanent firemen, and
30 permanent policemen~~] who first become eligible for membership in the system on or after July 1,
31 1996. Earnable compensation shall not include compensation in any form paid later than 120 days

1 after the member's termination of employment from a retirement eligible position, with the limited
2 exceptions of disability related severance pay paid to a member or retiree no later than 120 days
3 after a decision by the board of trustees granting the member or retiree disability retirement
4 benefits pursuant to RSA 100-A:6 and of severance pay which a member was entitled to be paid
5 within 120 days after termination but which, without the consent of the member and not through
6 any fault of the member, was paid more than 120 days after the member's termination. The member
7 shall have the burden of proving to the board of trustees that any severance payment paid later than
8 120 days after the member's termination of employment is earnable compensation and meets the
9 requirements of an asserted exception to the 120-day post-termination payment requirement.

10 (b)(1) For **group I** members who have not attained vested status prior to January 1,
11 2012, the full base rate of compensation paid, as determined by the employer, plus compensation
12 over base pay. Compensation over base pay shall include as applicable, subject to subparagraphs
13 ~~(2)~~~~(3), and (4),~~ **and (3)**, any overtime pay, cost of living bonus, annual attendance stipend or
14 bonus, annual longevity pay, additional pay for extracurricular and instructional activities for full-
15 time teachers and full-time employees who are employed in paraprofessional or support position,
16 additional pay for instructional activities of full-time faculty of the community college system~~;~~
17 ~~compensation for extra and special duty,~~ and any military differential pay, plus the fair market
18 value of non-cash compensation paid to, or on behalf of, the member for meals or living quarters if
19 subject to federal income tax, but excluding other compensation except supplemental pay paid by the
20 employer while the member is receiving workers' compensation and teacher development pay that is
21 not part of the contracted annual salary.

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

24 ~~[(3)]~~**(2)** Earnable compensation shall not include compensation for extra and special
25 duty for members who commence service on and after July 1, 2011.

26 ~~[(4)]~~**(3)** Earnable compensation shall not include incentives to encourage members to
27 retire, severance pay or end-of-career additional longevity payments, and pay for unused sick or
28 vacation time. Earnable compensation in the final 12 months of creditable service prior to
29 termination of employment shall be limited to 11/2 times the higher of the earnable compensation in
30 the 12-month period preceding the final 12 months or the highest compensation year as determined
31 for the purpose of calculating average final compensation, but excluding the final 12 months. Any
32 compensation received in the final 12 months of employment in excess of such limit shall not be
33 subject to member or employer contributions to the retirement system and shall not be considered in
34 the computation of average final compensation. Provided that, the annual compensation limit for
35 members of governmental defined benefit pension plans under section 401(a)(17) of the United
36 States Internal Revenue Code of 1986, as amended, shall apply to earnable compensation for all
37 employees~~;~~ **and** teachers~~;~~ ~~permanent firemen, and permanent policemen~~ who first become eligible

1 for membership in the system on or after July 1, 1996. Earnable compensation shall not include
 2 compensation in any form paid later than 120 days after the member's termination of employment
 3 from a retirement eligible position.

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

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

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

13 (3) *Earnable compensation shall not include incentives to encourage*
 14 *members to retire, severance pay, end-of-career additional longevity payments, or pay for*
 15 *unused sick or vacation time. Earnable compensation in the final 12 months of creditable*
 16 *service prior to termination of employment shall be limited to 1 1/2 times the higher of the*
 17 *earnable compensation in the 12-month period preceding the final 12 months or the*
 18 *highest compensation year as determined for the purpose of calculating average final*
 19 *compensation, but excluding the final 12 months. Any compensation received in the final*
 20 *12 months of employment in excess of such limit shall not be subject to member or employer*
 21 *contributions to the retirement system and shall not be considered in the computation of*
 22 *average final compensation. Provided that, the annual compensation limit for members of*
 23 *governmental defined benefit pension plans under section 401(a)(17) of the United States*
 24 *Internal Revenue Code of 1986, as amended, shall apply to earnable compensation for all*
 25 *permanent firemen and permanent policemen who first become eligible for membership in*
 26 *the system on or after July 1, 1996. Earnable compensation shall not include compensation*
 27 *in any form paid later than 120 days after the member's termination of employment from a*
 28 *retirement-eligible position.*

29 3 Average Final Compensation. Amend RSA 100-A:1, XVIII to read as follows:

30 XVIII. "Average final compensation" shall mean:

31 (a) For **group I** members who have attained vested status prior to January 1, 2012, the
 32 average annual earnable compensation of a member during his or her highest 3 years of creditable
 33 service, or during all of the years in his or her creditable service if less than 3 years. ~~[For purposes~~
 34 ~~of this calculation, the inclusion of the average annual compensation for extra and special duty in~~
 35 ~~the 3 years shall not exceed the average annual amount of compensation for extra and special duty~~
 36 ~~paid to the member over the member's last 7 years of creditable service on or after July 1, 2009, as~~

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

3 **(b) For group II members who attained vested status prior to September 1, 2013,**
4 **the average annual earnable compensation shall be calculated based on the member's**
5 **highest 3 years of creditable service, or during all years of creditable service if less than 3**
6 **years. For this calculation, the average annual compensation for extra and special duty in**
7 **the 3 years shall not exceed the average annual amount paid to the member for extra and**
8 **special duty over the member's last 7 years of creditable service on or after July 1, 2009, as**
9 **reported by the employer in accordance with RSA 100-A:16, VI, or over all the years of**
10 **creditable service on or after July 1, 2009, if less than 7 years.**

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

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

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

35 4 Group II Service Retirement Benefits. Amend RSA 100-A:5, II(a) to read as follows:

36 II. Group II Members.

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1 (a) Any group II member in service, who is in vested status before ~~January 1,~~
2 ~~[2012]~~ **September 1, 2013**, who has attained age 45 and completed 20 years of creditable service,
3 and any group II member who commenced service on or after July 1, 2011 who has attained age 50
4 and completed 25 years of creditable service, and group II members who have not attained vested
5 status prior to ~~January 1, [2012]~~ **September 1, 2013** as provided in the transition provisions in RSA
6 100-A:5, II(d), or any group II member in service who has attained age 60 regardless of the number
7 of years of creditable service, may retire on a service retirement allowance upon written application
8 to the board of trustees setting forth at what time not less than 30 days nor more than 90 days
9 subsequent to the filing thereof the member desires to be retired, notwithstanding that during such
10 period of notification the member may have separated from service. Provided, however, that a
11 group II member who commenced service on or after July 1, 2011 shall not receive a service
12 retirement allowance until attaining the age of 52.5; but may receive a reduced allowance after age
13 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for
14 each month by which the date on which benefits commence precedes the month after which the
15 member attains 52.5 years of age, by 1/4 of one percent.

16 5 Group II Service Retirement Benefits. Amend RSA 100-A:5, II(b)(2) to read as follows:

17 (2) For members who are in vested status before ~~January 1, [2012]~~ **September 1,**
18 **2013**, a state annuity which, together with his or her member annuity, shall be equal to 2- 1/2
19 percent of his or her average final compensation multiplied by the number of years of his or her
20 creditable service not in excess of 40 years, or for members who commenced service on or after July
21 1, 2011, a state annuity which, together with his or her member annuity, shall be equal to 2 percent
22 of his or her average final compensation multiplied by the number of years of his or her creditable
23 service not in excess of 42.5 years, and group II members who have not attained vested status prior
24 to ~~January 1, [2012]~~ **September 1, 2013** shall be as provided in the transition provisions in RSA
25 100-A:5, II(d) with the maximum number of years of creditable service not in excess of 40.5 years.

26 6 Group II Service Retirement Benefits. Amend RSA 100-A:5, II(c)(1) to read as follows:

27 (c)(1) Notwithstanding any provision of RSA 100-A to the contrary, any group II
28 member who is in vested status before ~~January 1, [2012]~~ **September 1, 2013** and has retired on or
29 after the effective date of this subparagraph after attaining the age of 45 with at least 20 years of
30 creditable service, and any group II member who commenced service on or after July 1, 2011 and
31 retires after the effective date of this subparagraph after attaining the age of 50 with at least 25
32 years of creditable service, and group II members who have not attained vested status prior to
33 ~~January 1, [2012]~~ **September 1, 2013** who qualify as provided in the transition provisions in RSA
34 100-A:5, II(d), shall receive a minimum annual service retirement allowance of \$10,000. If such
35 group II member has elected to convert the retirement allowance into an optional allowance for the
36 surviving spouse under RSA 100-A:13, the surviving spouse shall be entitled to a proportional share
37 of the \$10,000.

1 provisions of RSA 100-A:5 or RSA 100-A:6 shall not exceed 100 percent of the member's highest year
2 of earnable compensation.

3 **(b)** For members who commenced service on or after ~~[July 1, 2009 and have not~~
4 ~~attained vested status prior to January 1, 2012,]~~ **January 1, 1999 and before July 1, 2011,** a
5 member's maximum retirement benefit granted under the provisions of RSA 100-A:5 or RSA 100-A:6
6 shall not exceed the lesser of ~~[85]~~ **100** percent of the member's average final compensation or
7 ~~[\$120,000]~~ **\$125,000**.

8 **(c)** *For members who commenced service on or after July 1, 2011, a member's*
9 *maximum retirement benefit granted under the provisions of RSA 100-A:5 or RSA 100-A:6*
10 *shall not exceed the lesser of 85 percent of the member's average final compensation or*
11 *\$125,000.*

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

15 9 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted
16 in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2012"
17 with "September 1, 2013": 21-I:30, VIII; 100-A:1, XXXVII (b)(1) and (3); 100-A:5, II(a); 100-A:5,
18 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
19 (3); 100-A:10, II(b); 100-A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

20 10 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted
21 in 2011 to Members in Vested Status. Amend the following RSAs by replacing "September 1, 2013"
22 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-
23 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);
24 100-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-
25 A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d; 100-A:5, II (d).

26 11 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted
27 in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2014"
28 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-
29 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);
30 100-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-
31 A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

32 12 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted
33 in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2015"
34 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-
35 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);
36 100-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-
37 A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

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1 13 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted
2 in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2016"
3 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-
4 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);
5 100-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-
6 A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

7 14 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted
8 in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2017"
9 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-
10 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);
11 100-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-
12 A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

13 15 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted
14 in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2018"
15 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-
16 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);
17 100-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-
18 A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

19 16 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted
20 in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2019"
21 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-
22 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);
23 100-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-
24 A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

25 17 Retirement System; Group II; Date Change for Application of Retirement Provisions Adopted
26 in 2011 to Members in Vested Status. Amend the following RSAs by replacing "January 1, 2020"
27 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-
28 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);
29 100-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-
30 A:16, I(aa); 100-A:19-b, II(a) and (c); and 100-A:19-d.

31 18 Medical and Surgical Benefits. Amend RSA 21-I:30, VIII to read as follows:

32 VIII. Any vested deferred state retiree may receive medical and surgical benefits under this
33 section if the vested deferred state retiree is eligible. To be eligible, a group I vested deferred state
34 retiree shall have at least 10 years of creditable service with the state if the employee's service began
35 prior to July 1, 2003 or 20 years of creditable service with the state if the employee's service began
36 on or after July 1, 2003 and a group II vested deferred state retiree shall have at least 20 years of
37 creditable service with the state if the employee's service with the state began on or after July 1,

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1 2010. In addition, if the vested deferred state retiree is a member of group I, such retiree shall be at
2 least 60 years of age to be eligible. If the vested deferred state retiree is a member of group II who is
3 in vested status before January 1, 2012, such retiree shall not be eligible until 20 years from the date
4 of becoming a member of group II and shall be at least 45 years of age, and any group II member
5 who commenced service on or after July 1, 2011 shall not be eligible until 25 years from the date of
6 becoming a member of group II and shall be at least 52.5 years of age~~[-and group II members who
7 have not attained vested status prior to January 1, 2012 shall be as provided in the transition
8 provisions in RSA 100-A:5, II(d)].~~

9 19 Definitions. Amend RSA 100-A:1, XVII(d)(1) to read as follows:

10 (d)(1) For group II members ~~[who have not attained vested status prior to January 1,~~
11 ~~2021]~~ **who commenced service on or after July 1, 2011**, the full base rate of compensation paid,
12 as determined by the employer, plus compensation over base pay. Compensation over base pay shall
13 include, as applicable and subject to subparagraphs (2) and (3), any overtime pay, cost of living
14 bonus, annual attendance stipend or bonus, annual longevity pay, compensation for extra and
15 special duty, and any military differential pay, plus the fair market value of non-cash compensation
16 paid to or on behalf of the member for meals or living quarters if subject to federal income tax, but
17 excluding other compensation except supplemental pay paid by the employer while the member is
18 receiving workers' compensation that is not part of the contracted annual salary.

19 20 Definitions. Amend RSA 100-A:1, XXXVII(b)(1) through (3) to read as follows:

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

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

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

29 21 Service Retirement Benefits. Amend RSA 100-A:5, II(a) to read as follows:

30 (a) Any group II member in service, ~~[who is in vested status before January 1, 2021]~~
31 **who commenced service prior to July 1, 2011**, who has attained age 45 and completed 20 years of
32 creditable service, and any group II member who commenced service on or after July 1, 2011 who
33 has attained age 50 and completed 25 years of creditable service~~[-and group II members who have
34 not attained vested status prior to January 1, 2021, as provided in the transition provisions in RSA
35 100-A:5, II(d)], or any group II member in service who has attained age 60 regardless of the number
36 of years of creditable service, may retire on a service retirement allowance upon written application
37 to the board of trustees setting forth at what time not less than 30 days nor more than 90 days~~

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

8 22 Service Retirement Benefits. Amend RSA 100-A:5, II(b)(2) to read as follows:

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

19 23 Service Retirement Benefits. Amend RSA 100-A:5, II(c)(1) to read as follows:

20 (c)(1) Notwithstanding any provision of RSA 100-A to the contrary, any group II member
21 who [~~is in vested status before January 1, 2021 and~~] **commenced service prior to July 1, 2011**,
22 has retired on or after the effective date of this subparagraph after attaining the age of 45 with at
23 least 20 years of creditable service, and any group II member who commenced service on or after
24 July 1, 2011 and retires after the effective date of this subparagraph after attaining the age of 50
25 with at least 25 years of creditable service, [~~and group II members who have not attained vested~~
26 ~~status prior to January 1, 2021 who qualify as provided in the transition provisions in RSA 100-A:5,~~
27 ~~II(d),~~] shall receive a minimum annual service retirement allowance of \$10,000. If such group II
28 member has elected to convert the retirement allowance into an optional allowance for the surviving
29 spouse under RSA 100-A:13, the surviving spouse shall be entitled to a proportional share of the
30 \$10,000.

31 24 Disability Retirement Benefits. Amend RSA 100-A:6, II(b) to read as follows:

32 (b) Upon ordinary disability retirement, the group II member shall receive an ordinary
33 disability retirement allowance which shall consist of: a member annuity which shall be the
34 actuarial equivalent of his or her accumulated contributions at the time of his or her ordinary
35 disability retirement; and a state annuity which, together with his or her member annuity, for
36 members who [~~are in vested status before January 1, 2012~~] **commenced service before July 1,**
37 **2011**, shall be equal to 2 1/2 percent of his or her average final compensation at the time of ordinary

1 disability retirement multiplied by the number of years of his or her creditable service not in excess
2 of 40 at the time of ordinary disability retirement, or for members who commenced service on or
3 after July 1, 2011, shall be equal to 2 percent of his or her average final compensation at the time of
4 ordinary disability retirement multiplied by the number of years of his or her creditable service not
5 in excess of 42.5 at the time of ordinary disability retirement, ~~and group II members who have not~~
6 ~~attained vested status prior to January 1, 2012, shall be as provided in the transition provisions in~~
7 ~~RSA 100-A:5, II(d) with the maximum number of years of creditable service not in excess of the~~
8 ~~limits under RSA 100-A:6-a provided],~~ however, that such allowance shall not be less than 25
9 percent of the member's final compensation at the time of his or her disability retirement. Members
10 who retire upon ordinary disability or qualify for accidental death benefits as outlined in RSA 100-
11 A:8 shall not be subject to the full age and service requirements listed under RSA 100-A:5, II(d).

12 25 Disability Retirement Benefits. Amend RSA 100-A:6, II(d)(1) through (3) to read as follows:

13 (1) For members ~~[who are in vested status before January 1, 2021]~~ **who**
14 **commenced service before July 1, 2011**, any group II member who has more than 26²/₃ years of
15 service, a supplemental disability retirement allowance shall be paid. Such supplement shall be
16 equal to 21²/₂ percent of his or her average final compensation multiplied by the number of years of
17 his or her creditable service in excess of 26²/₃ but not in excess of 40 years.

18 (2) For members who commenced service on or after July 1, 2011, any group II
19 member who has more than 33¹/₃ years of service, a supplemental disability retirement allowance
20 shall be paid. Such supplement shall be equal to 2 percent of his or her average final compensation
21 multiplied by the number of years of his or her creditable service in excess of 33¹/₃ but not in excess
22 of 42.5 years.

23 ~~[(3) For group II members who have not attained vested status prior to January 1,~~
24 ~~2012, calculation of the supplemental allowance shall use the percentage multipliers for the~~
25 ~~corresponding years of creditable service on January 1, 2012 in the transition provisions in RSA 100-~~
26 ~~A:5, II(d) with the range for the number of excess years for the supplement adjusted proportionally.]~~

27 26 Vested Deferred Retirement Benefit. Amend RSA 100-A:10, II(b) to read as follows:

28 (b) For members ~~[who are in vested status before January 1, 2021]~~ **who commenced**
29 **service before July 1, 2011**, upon the member's attainment of age 45, provided the member would
30 then have completed 20 years of creditable service, otherwise the subsequent date on which such 20
31 years would have been completed, or for members who commenced service on or after July 1, 2011,
32 upon the member's attainment of age 50, provided the member would then have completed 25 years
33 of creditable service, otherwise the subsequent date on which such 25 years would have been
34 completed, ~~[and group II members who have not attained vested status prior to January 1, 2012~~
35 ~~shall be as provided in the transition provisions in RSA 100-A:5, II(d),]~~ or at any time after age 60, a
36 group II member who meets the requirement of subparagraph (a) may make application on a form
37 prescribed by the board of trustees and receive a vested deferred retirement allowance which shall

1 consist of: (1) A member annuity which shall be the actuarial equivalent of accumulated
2 contributions on the date the member's retirement allowance commences; and (2) A state annuity
3 which, together with the member annuity, shall be equal to a service retirement allowance based on
4 the member's average final compensation and creditable service at the time the member's service is
5 terminated. Provided, however, that a group II member who commenced service on or after July 1,
6 2011 shall not receive a vested deferred retirement allowance until attaining the age of 52.5; but
7 may receive a reduced allowance after age 50 if the member has at least 25 years of creditable
8 service where the allowance shall be reduced, for each month by which the date on which benefits
9 commence precedes the month after which the member attains 52.5 years of age, by 1/4 of one
10 percent.

11 27 Method of Financing. Amend RSA 100-A:16, I(aa) to read as follows:

12 (aa) The board of trustees shall certify to the proper authority or officer responsible for
13 making up the payroll of each employer, and such authority or officer shall cause to be deducted
14 from the compensation of each member, except group II members who are in vested status before
15 January 1, 2012 with creditable service in excess of 40 years, and group II members who commenced
16 service on or after July 1, 2011 or who have not attained vested status prior to January 1, 2012 with
17 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
18 each and every payroll of such employer for each and every payroll period, the percentage of
19 earnable compensation applicable to such member. No deduction from earnable compensation under
20 this paragraph shall apply to any group II member [~~who is in vested status before January 1, 2021~~]
21 **who commenced service prior to July 1, 2011** with creditable service in excess of 40 years, and
22 any group II member who commenced service on or after July 1, 2011 or who have not attained
23 vested status prior to January 1, 2012 with creditable service in excess of 42.5 years as provided in
24 RSA 100-A:5, II(b) and RSA 100-A:6, II(b), and this provision for such members shall not affect the
25 method of determining average final compensation as provided in RSA 100-A:1, XVIII. In
26 determining the amount earnable by a member in a payroll period, the board may consider the rate
27 of compensation payable to such member on the first day of a payroll period as continuing
28 throughout the payroll period and it may omit deduction from compensation for any period less than
29 a full payroll period if such person was not a member on the first day of the payroll period, and to
30 facilitate the making of deductions it may modify the deduction required of any member by such an
31 amount as shall not exceed 1/10 of one percent of the annual earnable compensation upon the basis
32 of which such deduction is made. The amounts deducted shall be reported to the board of trustees.
33 Each of such amounts, when deducted, shall be paid to the retirement system at such times as may
34 be designated by the board of trustees and credited to the individual account, in the member annuity
35 savings fund, of the member from whose compensation the deduction was made.

36 28 Minimum Age. Amend RSA 100-A:19-b, II to read as follows:

1 II.(a) For a member [~~who is in vested status before January 1, 2021~~] **who commenced**
2 **service prior to July 1, 2011** and, who has completed 20 or more years of combined creditable
3 service, one year shall be deducted from age 60 for each year of creditable group II service, provided
4 that the age shall not be less than 45 years.

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

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

13 29 Reduced Early Retirement. Amend RSA 100-A:19-d to read as follows:

14 100-A:19-d Reduced Early Retirement. Notwithstanding any other provision of law, any
15 retirement system member who has creditable service in both group I and group II with at least 10
16 years combined creditable service, and who has attained an age which is at least 45 [~~for members~~
17 ~~who are in vested status with group II service before January 1, 2012~~] **for members who**
18 **commenced service before July 1, 2011** or at least 50 for members who commenced group II
19 service on or after July 1, 2011, and group II members who have not attained vested status prior to
20 January 1, 2012 shall be as provided in the transition provisions in RSA 100-A:5, II(d), and is within
21 10 years of the minimum age set forth in RSA 100-A:19-b, may elect to retire and have benefits
22 commence immediately as a reduced split-benefit service retirement allowance. Application shall be
23 as provided in RSA 100-A:5, I(c). The allowance shall be determined as a split-benefit service
24 retirement allowance in accordance with RSA 100-A:19-c, and the total combined split-benefit
25 service allowance shall be reduced by the percentages shown in RSA 100-A:5, I(c), based on the total
26 combined length of creditable service, for each month by which the date on which benefits commence
27 precedes the month after which the member attains the minimum age set forth in RSA 100-A:19-b.

28 30 Funding; Appropriations. The sum of \$27,500,000 per state fiscal year is hereby
29 appropriated to the retirement system to fund the cost of benefits under this act. Such sums shall be
30 transferred on July 1 each year until 2034. The governor is authorized to draw a warrant for said
31 sums out of any money in the treasury not otherwise appropriated.

32 31 Repeal. RSA 100-A:5, II(d)(9), relative to group II service retirement benefits.

33 32 Repeal. RSA 100-A:5, II(d)(8), relative to group II service retirement benefits.

34 33 Repeal. RSA 100-A:5, II(d)(7), relative to group II service retirement benefits.

35 34 Repeal. RSA 100-A:5, II(d)(6), relative to group II service retirement benefits.

36 35 Repeal. RSA 100-A:5, II(d)(5), relative to group II service retirement benefits.

37 36 Repeal. RSA 100-A:5, II(d)(4), relative to group II service retirement benefits.

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- 1 37 Repeal. RSA 100-A:5, II(d)(3), relative to group II service retirement benefits.
- 2 38 Repeal. RSA 100-A:5, II(d)(2), relative to group II service retirement benefits.
- 3 39 Repeal. RSA 100-A:5, II(d), relative to group II service retirement benefits.
- 4 40 Repeal. RSA 100-A:1, XXXVII(d)(1) relative to group II service retirement definition.
- 5 41 Effective Date.
- 6 I. Sections 10 and 31 of this act shall take effect January 1, 2026.
- 7 II. Sections 11 and 32 of this act shall take effect January 1, 2027.
- 8 III. Sections 12 and 33 of this act shall take effect January 1, 2028.
- 9 IV. Sections 13 and 34 of this act shall take effect January 1, 2029.
- 10 V. Sections 14 and 35 of this act shall take effect January 1, 2030.
- 11 VI. Sections 15 and 36 of this act shall take effect January 1, 2031.
- 12 VII. Sections 16 and 37 of this act shall take effect January 1, 2032.
- 13 VIII. Sections 17 and 38 of this act shall take effect January 1, 2033.
- 14 IX. Sections 18 through 29, and 39 of this act shall take effect January 1, 2034.
- 15 X. The remainder of this act shall take effect 60 days after its passage.

HB 727-FN- FISCAL NOTE
AS INTRODUCED

AN ACT relative to the New Hampshire retirement system.

FISCAL IMPACT:

Estimated State Impact				
	FY 2025	FY 2026	FY 2027	FY 2028
Revenue	\$0	\$0	\$0	\$0
<i>Revenue Fund(s)</i>	None			
Expenditures*	\$0	\$27,500,000	\$27,500,000	\$27,175,000
<i>Funding Source(s)</i>	General Fund			
Appropriations*	\$0	\$27,500,000 plus Indeterminable NHRS administrative costs for system changes	\$27,500,000	\$27,500,000
<i>Funding Source(s)</i>	General Fund			

*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	\$0	\$0	(\$270,000)

*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 modifies the maximum retirement benefits for certain public employees, adjusts the dates and percentages related to the calculation of retirement benefit, and adjusts the definition of earnable compensation.

The New Hampshire Retirement System (NHRS) states this bill changes Group II vested status from a January 1, 2012 date to September 1, 2013. Additionally, it changes earnable compensation for Group II members, essentially reinstating certain types of earnable compensation, including payouts of unused earned time and changes the calculation of the

pension benefit from high 5 years to high 3 years for members vested prior to September 1, 2013. Additionally the bill 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, rather than at age 50 as is in current law. Group II members vested prior to September 1, 2013 would have an increased multiplier from 2.1% - 2.4% to 2.5% for the purposes of calculating their benefits based on this bill. The NHRS states the bill revises the maximum benefit provision for members hired on or after January 1, 1999 and before July 1, 2011 to be entitled to a 100% of average final compensation or \$125,000. For members commencing service on or after July 1, 2011 the maximum benefit would be the lesser of 85% of average final compensation or \$125,000.

The NHRS actuary states since contributions rates for FY 2026-2027 have been certified they are not subject to change and there will be no fiscal impact in FY 2026-2027. The NHRS actuary states the FY 2028-2029 contribution rates will be set using the June 30, 2025 valuation. Since the rates for the 2028-2029 biennium are unknown at this time, only the net impact for FY 2028 is shown.

STATE

Increase (Decrease) in Employer Pension Rates as a Percent of Payroll	
	Net Impact of Proposal
Employees	0.00%
Police	(0.30)%
Fire	0.03%

Expected Employer Dollar Increase (Decrease) Due to Proposal				
	FY 2025	FY 2026	FY 2027	FY 2028
Employees	-	-	-	\$0
Police	-	-	-	(\$330,000)
Fire	-	-	-	\$0
TOTAL	\$0	\$0	\$0	(\$330,000)

POLITICAL SUBDIVISIONS

Increase (Decrease) in Employer Pension Rates as a Percent of Payroll	
	Net Impact of Proposal
Employees	0.00%
Teachers	0.04%
Police	(0.30)%

Fire	0.03%
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Expected Employer Dollar Increase (Decrease) Due to Proposal				
	FY 2027	FY 2026	FY 2027	FY 2028
Employees	-	-	-	\$0
Teachers	-	-	-	\$570,000
Police	-	-	-	(\$890,000)
Fire	-	-	-	<u>\$5,000</u>
TOTAL	\$0	\$0	\$0	(\$270,000)

The NHRS assumes the annual \$27,500,000 million appropriations will be made annually from July 1, 2025 through July 1, 2034. If the appropriation is not paid employer contributions rates for police and fire would increase by 3.17% and 2.36% and the actuarial accrued liability would increase by \$110.3 million. If the appropriation is made annually, the actuarial accrued liability would decrease by \$98.2 million based on the provisions in the bill and will be amortized over a fixed period of no longer than 20-years.

Lastly, the NHRS states the proposed changes in the bill will involve significant administrative costs relating to reprogramming of the pension administration system, revisions to administrative procedures and staff training which will result in an indeterminable increase in expenditures.

AGENCIES CONTACTED:

New Hampshire Retirement System