HB 1563-FN - AS INTRODUCED

2022 SESSION

22-2003
10/04

HOUSE BILL ***1563-FN***

AN ACT requiring state employees to be enrolled in the deferred compensation plan.

SPONSORS: Rep. McGuire, Merr. 29; Rep. Turcotte, Straf. 4; Rep. Hill, Merr. 3; Sen. Reagan, Dist 17

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill establishes an initial automatic enrollment contribution and automatic escalation for general salary raises for participating employees under the deferred compensation program.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

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STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Two

AN ACT requiring state employees to be enrolled in the deferred compensation plan.

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

1 New Section; Public Employees Deferred Compensation Plan; State Employees Automatic Enrollment and Automatic Escalation. Amend RSA 101-B by inserting after section 8 the following new section:

101-B:9 State Employees; Automatic Enrollment; Automatic Escalation.

I. Each full-time, permanent state employee hired on or after April 1, 2023 shall be automatically enrolled in the public employee deferred compensation plan established under this chapter. Upon beginning employment, the initial contribution under the plan shall be 2 percent of the employee's compensation.

II. When an employee enrolled in the deferred compensation program receives a collectively bargained general raise in salary, his or her contribution rate for the deferred compensation program shall be increased by 0.5 percentage points or by $25 per pay period if contributing a fixed dollar amount. The maximum rate of deferred compensation under automatic enrollment and automatic escalation shall be 7 percent, except where an applicable lower maximum deferral rate applies, as defined in the deferred compensation plan documents. An employee may opt out of automatic escalation at any time, as allowed by the deferred compensation plan documents.

III. Any county, city, town, or other political subdivision participating in the public employees deferred compensation plan under this chapter may elect to implement the automatic enrollment and automatic escalation provisions of this section, notwithstanding RSA 275:48.

IV. Nothing in this section shall limit an employee's right to modify his or her contribution rate, as allowed by the deferred compensation plan documents. If an employee elects to leave the plan within 60 days of enrollment, the plan shall return all contributions within 30 days.

V. Automatic enrollment and automatic escalation shall be subject to the following safe harbor provisions:

(a) The automatic contribution and automatic escalation provisions shall be an eligible automatic contribution arrangement described in 26 U.S.C. section 414(w) of the federal Internal Revenue Code of 1986.

(b) Anything otherwise provided by or under this section is limited or modified as necessary to meet subparagraph (a), and for the plan to be an eligible deferred compensation plan described in 26 U.S.C. section 457(b) of the federal Internal Revenue Code of 1986.

(c) The deferred compensation commission has, and shall have, authority to make rules and procedures, including, but not limited to, forms of notices and instructions to interpret and implement this section.

(d) The legislature declares that an automatic contribution or an automatic escalation contribution made pursuant to this section is required or empowered by state law within the meaning of RSA 275:48, I(a).

2 Effective Date. This act shall take effect April 1, 2023.

LBA
22-2003
Redraft 12/10/21

HB 1563-FN- FISCAL NOTE
AS INTRODUCED

AN ACT requiring state employees to be enrolled in the deferred compensation plan.

FISCAL IMPACT: [X] State [ ] County [ ] Local [ ] None

	Estimated Increase / (Decrease)			
STATE:	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
Appropriation	$0	$0	$0	$0
Revenue	$0	$0	$0	$0
Expenditures	$0	$187,559	$0	$0
Funding Source:	[X] General	[ ] Education	[ ] Highway	[ ] Other

METHODOLOGY:

This bill requires state employees to be enrolled in the deferred compensation plan. State classified employees hired on or after January 1, 2023 will automatically be enrolled in the public employees deferred compensation plan with automatic escalation. There are provision in the bill for employees to opt-out of the automatic escalation and opt-out of the enrollment of the deferred compensation plan within 60 days of enrollment. Any municipality participating in the public employees deferred compensation plan may elect to implement the automatic enrollment and automatic escalation provisions of this bill.

The Department of Administrative Services has made the following assumptions:

- the plan will be effective with the first paycheck following the end of the opt-out period,
- the opt-out process will occur on the 457 record keeper /administrator's system,
- any required return of funds deferred will be returned to the employee by the 457 administrator as a 1099 amount, and
- the recordkeeper or validation that recordkeeper/administrator does not change by July 2022.

If these assumptions are accurate the Department states they will need to shift resources within its existing budget and staffing for a period of four months to define the interface requirements, develop, test, and implement the interfaces from NH FIRST to the 457 record-keeper/administrator's system and test the interfaces between the two systems. The Department estimates the cost associated with the shifting of resources will be $187,559

($122,657 in salary and $64,902 for benefits). The plan, as this bill is written, does not cover the cost of this work.

AGENCIES CONTACTED:

Department of Administrative Services