HB 369-FN - AS INTRODUCED

2017 SESSION

17-0604
10/09

HOUSE BILL ***369-FN***

AN ACT relative to the amortization of retirement system unfunded accrued liability.

SPONSORS: Rep. LeBrun, Hills. 32; Rep. Twombly, Hills. 34; Rep. Seidel, Hills. 28; Rep. M. MacKay, Hills. 30; Rep. King, Hills. 33

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill extends the period of amortization for the unfunded accrued liability of the New Hampshire retirement system.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

17-0604
10/09

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Seventeen

AN ACT relative to the amortization of retirement system unfunded accrued liability.

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

1 Retirement System; Financing; Unfunded Accrued Liability. Amend RSA 100-A:16, II(e) to read as follows:

(e) Immediately following the actuarial valuation prepared as of June 30 of each fiscal year, the board shall have an actuary determine the amount of the unfunded accrued liability for each member classification, proportionally reduced using sums dedicated as provided in RSA 21-I:95, II, as the amount of the total liabilities of the state annuity accumulation fund on account of such classification which is not dischargeable by the total of the funds in hand to the credit of the state annuity accumulation fund on account of such classification, and the aforesaid normal contributions to be made on account of the members in such classification during the remainder of their active service. The amount so determined with respect to each member classification shall be known as the "unfunded accrued liability" with respect to such classification. On the basis of each such unfunded accrued liability, the board shall have an actuary determine the level annual contribution required to discharge such amount over a period of [~~30~~] ***40*** years or the maximum period allowed by standards adopted by the Government Accounting Standards Board, whichever is less.

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

LBAO
17-0604
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HB 369-FN- FISCAL NOTE
AS INTRODUCED

AN ACT relative to the amortization of retirement system unfunded accrued liability.

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

	Estimated Increase / (Decrease)			
STATE:	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**
Appropriation	$0	$0	$0	$0
Revenue	$0	$0	$0	$0
Expenditures	$0	$0	$15.82 million	$16.34 million
Funding Source:	[X] General	[X] Education	[X] Highway	[X] Other

POLITICAL SUBDIVISIONS*:

Revenue	$0	$0	$0	$0
Expenditures	$0	$0	$65.15 million	$67.17 million

*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 extends the period of amortization for the unfunded accrued liability of the New Hampshire Retirement System from 30 to 40 years. Assuming the original statutory 30 year closed amortization period with 20 years remaining in FY 2020 would change to a 40 year closed amortization period with 30 years remaining in FY 2020, an annual rate of return of 7.25 percent, wage inflation at 3.25 percent a year (3.0% for teachers), the New Hampshire Retirement System's actuary determined the following increases/(decreases):

State Estimated Employer Increase/(Decrease) $Millions		
	FY 2020	**FY 2021**
Employees	($11.85)	($12.24)
Police	($3.77)	($3.89)
Fire	($0.20)	($0.21)
State Total	($15.82)	($16.34)
Political Subdivisions Estimated Employer Increase/(Decrease) $Millions		
	FY 2020	**FY 2021**
Employees	($13.95)	($14.40)
Teachers	($34.83)	($35.87)
Police	($10.34)	($10.67)
Fire	($6.03)	($6.23)
Political Subdivisions Total	($65.15)	($67.17)

The System states the proposal would be reflected in the next rate setting valuation as of June 30, 2017, which determines employer contribution rates for the 2020-2021 biennium. Since the rates for the 2020-2021 biennium are unknown at this time, only the net impact of the proposal is shown.

The System states that in the short term there will be savings in employer rates, however extending the amortization period will result in additional employer payments of $4.1 billion over the additional amortization period. Under the current amortization policy, the total System unfunded actuarial accrued liability (UAAL) is expected to increase to a maximum of $5.16 billion by June 30, 2018 before declining to $0 by June 30, 2039 if all assumptions are met. Under the proposed amortization policy, the total System UAAL would be expected to increase to a maximum of $5.52 billion by June 30, 2028 before declining to $0 by June 30, 2049 if all assumptions are met. Under the proposal, the projected UAAL as of June 30, 2039 (the date when it is currently expected to reach $0) would be approximately $4.5 billion.

AGENCIES CONTACTED:

New Hampshire Retirement System