

State of New Hampshire

HOUSE RECORD

Second Year of the 160th General Court Calendar and Journal of the 2008 Session

Vol. 30

Concord, NH

Tuesday, June 3, 2008

No. 42A

Contains: Additional Committee of Conference Statements

ADDENDUM TO HOUSE CALENDAR

WEDNESDAY, JUNE 4

COMMITTEE OF CONFERENCE STATEMENTS

SENATE BILL

SB 321, relative to construction or renovation of regional vocational centers, transferring certain positions from the pari-mutuel commission to the department of safety, and requiring certain operating budget reductions.

The Senate agreed with the bill as it passed the House with a few additional adjustments. These include ratifying the annual meetings of the Bath School District and the Town of Grafton, and putting in a sunset provision for the wine discount section so that if after one year the anticipated revenue increase does not occur we will revert to current law.

Rep. Marjorie K. Smith

HOUSE BILL

HB 1645-FN-L, relative to administration of the New Hampshire retirement system and benefits for members.

The Senate Conferees acceded to the House Conferees and reached agreement on HB 1645 to assure the long term health of the New Hampshire Retirement System (NHRS) with this second step toward reducing the unfunded liability of \$2.7 Billion. The first step was HB 653 that passed in 2007.

HB 1645 clarifies "earnable compensation" and eliminates a number of allowances and reimbursements not generally considered as permissible for federal income tax purposes (i.e. Automobile Allowance, Clothing/Uniforms, Health and Fitness, Moving/Relocation Expenses, etc.) Strengths of this legislation include a one time \$250,000,000 transfer from the Special Account to the state annuity accumulation fund (corpus) by June 30, 2008. This correction in employer funding of pensions is necessary due to a previous approach in the method that contributions were previously handled. This change will have a positive impact toward fully funding pensions and will subsequently prevent an increase to school districts, towns, cities, and the state in payments to the retirement system by approximately 53%.

The conferees' agreement addresses supplemental allowances, cost of living adjustment (COLA) and medical subsidies for retired employees. A COLA @ 1.5% is contingent on terminal funding for those retirees with an annuity of \$30,000 or less and an additional supplemental allowance of \$1,000 for those retirees whose annual retirement benefit is \$20,000 or less and with 15 years of service and an additional \$500 if retired prior to 1993. Seventy three percent (73%) of all retirees receive a pension \$21, 000 or less.

The conferees agreed to preserve the 401(h) subtrust (health care) by removing the annual 8% compounded escalator of the medical subsidy (approximately \$354 per single and \$750 per couple per

month – originally \$101.50 in 1990 for each qualified person). By instituting a freeze for four years followed by an increase of 4% for the medical subsidy the beneficiaries will be protected for the long term and assure the longevity of the 401(h) subtrust with a savings of \$61.1 million in FY 2010 and \$63.9 million in FY 2011. This change will allow the employer contribution to the 401(h) subtrust to be the lower of 25% of the employer contribution or a percentage determined by the actuary to be the minimum rate necessary to maintain benefits (solvency).

HB 1645 removes the time restrictions for non-vested members to leave their funds in the system to enjoy investment returns but changes the calculation on interest on the funds to 2 percentage points less than the assumed rate or actual rate of return (whichever is lower).

The administration of the NHRS is conducted by a board of 14 trustees (eight of which are members: teachers, employees, fire and police). To increase the potential for investment returns beyond the lower range of public pension funds each of the trustees shall have familiarity with or experience in finance or business management. The governor and council shall appoint 2 non-member trustees with investment and/or financial experience (not members of the system). The non-member trustees of the board shall have substantial experience in the field of institutional investment or finance, taking into account factors such as educational background, business experience, and professional licensure and designations.

Critical to improved investment returns will be the establishment of an independent investment committee consisting of not more than 5 members, 3 of whom shall be persons who are not members of the board of trustees appointed by the governor with the consent of the council, and up to 2 of whom shall be members of the board of trustees appointed by the chairperson of the board of trustees. Each member of the independent investment committee shall have substantial experience in the field of institutional investment or finance, other than their experience as trustees of the New Hampshire retirement system, taking into account factors such as educational background, business experience, and professional licensure and designations. The members of the board of trustees shall set the investment policy. The independent investment committee shall have full power to invest and reinvest funds in accordance with the policies set by the board.

In addition approximately one dozen technical changes to conform to state and federal law as well as IRS requirements were included that will assist in assuring that the NHRS will continue to be a qualified plan.

Finally three commissions will be established to continue the review and research to explore the potential to provide supplemental allowances to New Hampshire's retirees as well as current and future public employees. Every ten years there will be a Decennial Retirement Commission, the first beginning in 2017, to assure the long term viability of the NHRS and in 2008 a Commission to Study COLA's as well as a Commission on retiree Health Care Benefits Funding Model will convene to consider approaches to recommend future legislative efforts.

Rep. Anne-Marie Irwin