



Executive Departments and Administration Committee    HB 581    January 30, 2025

***Executive Departments and Administration Committee Members***

My name is Ray Chadwick, Chairman of *Granite State Taxpayers (GST)*. GST supports legislation that reduces the financial impact of government on the taxpayer, and programs that allocate their costs equitably between beneficiaries of those programs and taxpayers in general.

***Granite State Taxpayers Supports HB 581***

This bill establishes a state retirement plan group for new state employee members of the retirement system.

**HB 581 will implement a Defined Contribution Pension System for new State employees.**

State and Municipal employees are currently eligible for a Defined Benefit Pension where benefits are determined based on various criteria (wages, years of service, etc.) and are fixed for their term of retirement. In effect, the retirement benefit is guaranteed by the State, which means ultimately the taxpayers.

In the private sector, such plans have largely been phased out and replaced by Defined Contribution Pension Plans where the Employee retirement benefits come from their accumulated investments into the plans plus company matching funds. This change is primarily due to laws requiring companies to have funds currently on hand to support the future benefits.

In the current New Hampshire Retirement System, the unfunded actuarial accrued liability (UAAL) for future benefits is in the neighborhood of \$5.6 billion, or nearly \$4,500 each for every person in the state. The consequence is that taxpayers, most of whom have their retirement savings invested in the market, and subject to market fluctuation, are expected to indemnify State and Municipal retirees from any market risk impacting their benefits. Taxpayers ultimately will be responsible for paying down the UAAL. The UAAL, and its magnitude, also presents an impetus for implementation of broad based taxes as a way of generating the tax revenue required to pay it down. Implementing broad based taxes will unarguably have a negative impact on the state economy, new business generation and the interest and willingness of people and businesses to relocate to New Hampshire.

The presence of unfunded liabilities in general is a consequence of past decisions to support and legislate commitments for current or future benefits at the expense of the future risk of being able to support those commitments. This shifts financial risk to future taxpayers. Such behavior is in large part why the US national debt exceeds \$36 trillion and the US Treasury projects the combined unfunded liabilities of Social Security and Medicare to be \$78.4 trillion.

The Defined Contribution Pension Plan proposed by HB 581 is a step towards a retirement system that doesn't add to the unfunded liability of the retirement system. We already have a financial hole in the current UAAL. With HB 581, we can stop making the hole deeper.

***Granite State Taxpayers recommends a vote FOR HB 581.***

Ray Chadwick, Board Member  
Granite State Taxpayers