

NHRS Bill Brief: SB 72-FN (as introduced)

Prepared for the Senate Finance Committee

Summary: “AN ACT relative to a state share of retirement system contributions by employers.”

Analysis: “This bill provides that the state shall pay 15 percent of contributions of retirement system employers other than the state for group I teachers and group II members.”

Sponsors: Sen. Rosenwald, Dist 13; Sen. Whitley, Dist 15; Sen. Watters, Dist 4; Sen. D’Allesandro, Dist 20; Sen. Perkins Kwoka, Dist 21; Sen. Soucy, Dist 18; Sen. Prentiss, Dist 5; Sen. Kahn, Dist 10; Sen. Sherman, Dist 24; Rep. O’Brien, Hills. 36; Rep. Espitia, Hills. 31

Financial Considerations

This bill requires the state to pay 15% of political subdivision employer pension contributions on behalf of teachers, police officers and firefighters.

Gabriel, Roeder, Smith & Company (GRS), the New Hampshire Retirement System’s independent actuary, estimates that political subdivision employer contribution costs on behalf of teachers, police officers and firefighters would be reduced by \$53.00 million in fiscal year 2022, \$54.28 million in fiscal year 2023 and \$55.60 million in fiscal year 2024. Costs to the state would increase by those amounts over the same period. For additional information, see the fiscal note attached to the bill.

Note: This bill does not impact the NHRS unfunded actuarial accrued liability (UAAL) because it does not change the total amount of employer contributions due to the retirement system.

Background

When RSA 100-A was enacted in 1967, RSA 100-A:16 made the state responsible for 40 percent of the employer contribution for teachers employed by political subdivisions. (This 40 percent state contribution existed prior to 1967 in the predecessor Teachers’ Retirement System.) The statute was amended in 1977, requiring the state to pay 35 percent of the employer contributions for Teacher, Police, and Fire members employed by political subdivisions.

RSA 100-A:16 was amended in 2009 to reduce the state’s share to 30 percent in Fiscal Year 2010 and 25 percent in Fiscal Year 2011. The 2009 amendment also restored the state contribution to 35 percent in Fiscal Year 2012, however, the statute was amended again in 2011 (House Bill 2; Chapter 224, Laws of 2011) to eliminate the state’s percentage share of employer contributions altogether. The 2011 amendment also included a one-time appropriation of \$3.5 million in an effort to offset political subdivision employer contributions in Fiscal Year 2012.

Several employers challenged the reduction in state contributions in court asserting that the change constituted an unfunded mandate.. The New Hampshire Supreme Court in 2012 upheld statutory changes to RSA 100-A:16 enacted in 2009. (See *City of Concord v State of NH*)

Other Considerations

The actuary assumed that the Medical Subsidy benefit portion of the employer contribution rate under RSA 100-A:52, 52-a, and 52-b was not included in the state's 15% contribution.

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Note: The content provided above is for informational purposes; NHRS neither supports nor opposes this legislation.