

NHRS Bill Brief: HB 1535-FN

Prepared for the House Finance Committee – Division I

Summary: “AN ACT relative to cost of living adjustments for retirees in the state retirement system.”

Analysis: “This bill establishes a cost of living adjustment in 2022 to be paid by the retirement system on the first \$30,000 of a retired member's or beneficiary's allowance. The cost of this supplemental allowance is paid from the state general fund.”

Sponsors: Rep. Merner, Coos 7; Rep. Deshaies, Carr. 6; Rep. Guthrie, Rock. 13; Rep. Bordes, Belk. 3

Financial Considerations

This bill grants a cost of living adjustment (COLA) on the pension benefits for all retirees or beneficiaries who have been retired for at least 60 months prior to or on July 1, 2022. On each retiree's/beneficiary's first anniversary date of retirement occurring on or after July 1, 2022, the COLA payable would be 1.5% on each eligible annual retirement benefit of \$30,000 or less, or otherwise up to the first \$30,000 for benefits in excess of that amount. Nearly 30,000 retirees or beneficiaries would see a benefit increase as a result of this legislation.

GRS, the New Hampshire Retirement System's independent actuary, calculated the one-time cost to “terminally fund” the COLA up-front to be \$79.1 million.

Background

The first NHRS post-retirement allowances were granted by the Legislature in 1974. Historically, two types of allowances have been granted:

- A cost-of-living-adjustment (COLA) – referred to in RSA 100-A as a supplemental allowance – is a permanent percentage annual increase to a pension benefit. (Ex. A 1.5% COLA on a \$30,000 pension permanently increases the benefit to \$30,450 for the lifetime of the benefit recipient.)
- A temporary supplemental allowance (TSA) is a lump-sum payment that does not become a permanent addition to the monthly pension benefit. A TSA is sometimes referred to as a “thirteenth check” or an “extra check.”

The last COLA was passed in 2019 for retirees or beneficiaries with a retirement date of July 1, 2014. This COLA was added to pension benefits on the anniversary date of retirement between August 2020 and July 2021; the last TSA was paid in 2018.

NHRS COLA HISTORY, 2000-2021

	EMPLOYEE	TEACHER	POLICE	FIRE
2021	None	None	None	None
2020	1.5% COLA on the first \$50,000 of an annual pension benefit to members who retired on or before July 1, 2014, or any beneficiary of such member who is receiving a survivorship pension benefit. The COLA will take effect on the retired member's first anniversary date of retirement occurring after July 1, 2020.			
2019	None <i>(Note: COLA bill was enacted in 2019 with effective date of July 1, 2020)</i>			
2018	No COLA; \$500 TSA for members who retired with at least 20 years of creditable service; have been receiving an allowance for at least 5 years prior to July 1, 2018; and whose annual retirement allowance on June 30, 2018 was not greater than \$30,000.			
2013-17	None	None	None	None
2011-12	No COLA; \$500/\$1K TSA for political subdivision retirees receiving Medical Subsidy (\$300/\$600 for Medicare-eligible political subdivision retirees receiving Medical Subsidy)			
2008-10	1.5% COLA on first \$30K of base pension, plus: \$1K TSA if base pension is less than \$20K and retiree had at least 15 years of creditable service; \$500 TSA if retired before 1/1/93; \$500/\$1K TSA if receiving Medical Subsidy and retired from political subdivision.			
2007	2.25%	2.25%	2.25%	2.25%
2006	1%	1%	1%	1%
2005	1%	1%	1%	1.5%
2004	1%	1%	1%	2.25%
2003	2%	2%	2%	3.5%
2002	2%	3%	2%	3%
2001	3.5%	3.5%	3.5%	3.5%

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