

## NHRS Bill Brief: HB 1587-FN (as amended)

*Prepared for the Senate ED&A Committee*

**Summary:** “AN ACT relative to determination of average final compensation under the retirement system and making an appropriation therefor.”

**Analysis:** This bill modifies the calculation of compensation paid in excess of the full base rate of compensation under the definition of average final compensation in the retirement system for group II persons hired before July 1, 2011 who did not vest before January 1, 2012. The bill makes an appropriation to the retirement system for funding the cost of the change.

**Sponsors:** Rep. Pratt, Rock. 3; Rep. Deshaies, Carr. 6; Rep. Bordes, Belk. 3; Rep. Trottier, Belk. 6

### Background

Since January 1, 2012, employers have been required to report earnable compensation as either "base pay" or "Compensation over base" (COB) for all Group I and Group II members not vested prior to that date. COB includes, but is not limited to, overtime, shift differentials, stipends, and extra or special duty pay (i.e. "detail pay"). Under changes to RSA 100-A: 1, XVIII (average final compensation, or AFC) made in 2011, the percentage of COB used in the AFC calculation is the lesser of the percentage of COB in the high 5 years of earnable compensation or the percentage of COB in the remainder of the member's career, excluding the high 5 years.

HB 1587 changes the AFC calculation for affected Group II (Police and Fire) members so that the percentage of COB used in the pension calculation is the lesser of the percentage of COB in the high 5 or the percentage of COB in the remainder of the member's career, including the high 5 years.

As of June 30, 2021, there were 1,824 active Group II members who would be affected by this bill.

The bill does not change the calculation for Group I (Employee and Teacher) members and Group II members hired on or after July 1, 2011.

### Sample Group II AFC calculation:

- Total AFC (highest 5 years): \$60,000
- Base Pay (average in highest 5 years): \$50,000
- Comp over Base (COB) (average in highest 5 years): \$10,000
- % of COB to Base in highest 5 years: 20% (\$10,000 divided by \$50,000 equals 20%)

Here's what happens to the AFC under different scenarios based on what the percentage of COB to Base was in the remainder of the career:

- If "rest of career" percentage is 20% or more: No change. AFC stays at \$60,000.
- If "rest of career" percentage is 15%: COB allowed in high five is \$7,500 (\$7,500 divided by \$50,000 equals 15%). AFC is \$57,500.
- If "rest of career" percentage is 5%: COB allowed in high five is \$2,500 (\$2,500 divided by \$50,000 equals 5%). AFC is \$52,500.

