

NHRS Legislative Committee
April 28, 2011

Note: The public minutes from the April 28, 2011 Legislative Committee meeting were approved and executed on May 10, 2011.

**Legislative Committee
of the
Board of Trustees
April 28, 2011**

THE PUBLIC MINUTES

**New Hampshire Retirement System
54 Regional Drive
Concord, NH**

Committee Members: Sam Giarrusso, *Chair*; Rep. Ken Hawkins; Kate McGovern; Mike Macri, *absent*; Jill Rockey, *absent*.

Staff: Kim France, *Interim Executive Director*; Jack Dianis, *Director of Finance*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Nancy Miller, *Director of Member Services*; Denise Call, *Director of Employer Services*; Bill Spead, *Regulatory Compliance Officer*; Cecile Merrill, *Project Manager*; Shannan Hudgins, *Administrative Coordinator*.

Trustee Sam Giarrusso, Chair of the Legislative Committee, called the meeting to order at 8:30 a.m. On a motion by Rep. Hawkins, seconded by Trustee McGovern, the minutes from the April 12, 2011, meeting were unanimously approved.

Mr. Giarrusso asked Interim Executive Director Kim France to present the GRS analysis for review and discussion. She noted that the information presented on Senate Bill 3 was a new analysis specific to member contribution rates, as requested, and would be included in all GRS analyses going forward. Trustee McGovern stated that the analysis was helpful in the aggregate, but left an individual member unsure of his retirement benefit.

Ms. France asked that the Committee walk through a hypothetical analysis so that she might illustrate the difficulty with providing individual member impact statements. Too many components of each bill prohibited the building of a reliable retirement example.

Ms. France then reviewed the FAQ document that was posted on the website. She noted that it could be accessed from more than one place on the website, and because of the rapidly changing proposed legislation, it was updated regularly. In explaining the posted questions and answers, she made note that there were no pension formula examples. Mr. Giarrusso asked that a record of costs associated with the legislation be updated.

The next topic of discussion was the recertification of employer rates as addressed in HB 580 and SB 3. In recertifying employer rates, Ms. France stated that the most current information should be used, which included the most recent valuation, the most current assumptions, as well as the revised assumed rate of return. She cautioned that having employer rates ready for July 1, 2011, would be especially difficult because of the process involved. GRS would have to perform its calculations with all of the anticipated plan design changes, followed by review and certification by the Board of Trustees. It would be a few months before NHRS had the recertified rates, and Ms. France stated that NHRS must notify all employers, within 30-days. She believed October 2011 would be the earliest possible implementation date.

In a response to a Trustee question regarding potential constitutional issues in some of the proposed bills, Atty. Crutchfield stated that if a law is passed, it is considered constitutional. He said the Retirement System could not be expected to run rates on selected provisions, and that he believed such consideration was not good practice. Trustee Giarrusso asked what the Board's latitude was in setting rates, and if, in uncertainty it should pass the highest rates until all legislation was resolved. Rep. Hawkins stated that the only variable in the legislation was whether the valuation of 2010 or 2011 would be used, and that if the Legislature managed its calendar, then the bill would pass by May 10, 2011, and GRS could begin its analysis in time for the June Board of Trustees' meeting. Mr. Giarrusso asked that the timing of recertification of the rates be discussed by Rep. Hawkins with his colleagues.

Ms. France explained the difficulty of providing member analysis, emphasizing that the multiple provisions in pending legislation created insurmountable problems in providing clear, user-friendly information. Rep. Hawkins stated that the change in effective date to September 1, 2011, was to allay fear-based retirement filings. Ms. France emphasized that the September 1 date could not be implemented by NHRS and that she had previously indicated that a January 1, 2012 effective date would be necessary to allow for technology changes to expected legislation. In response to a question about changing benefits for vested members, Ms.

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France confirmed that Groom Law Group had stated there were no IRS concerns, but that such provisions could result in contract claims.

Trustee McGovern raised the “substantial impairment standard” in regard to the Commission’s recommendation of 2% for the COLA benefit. She asked if such a contribution could be used to repopulate the special account. Rep. Hawkins stated that proposed legislation would eliminate the special account, and that COLA’s could not be paid until the retirement fund reached an 80% funding status

In response to a double-dipping question, Atty. Crutchfield stated that the IRS was reviewing what is considered a meaningful separation from service after retirement before returning to work. Mr. Spead further noted that IRS rules required a plan document to specify that an employee could retire and then work for a retirement-participating employer. In response to Mr. Giarrusso’s concern that NHRS was in conflict with the IRS, Mr. Spead confirmed it was not, but noted that documented separation from service was required.

Nancy Miller provided statistics from the member benefits team, noting that there were 363 appointments in April, 227 appointments in May, with 328 retirement filings for June and 224 for July (as of that morning). She noted that a comparison report would be issued at the May Board meeting.

Mr. Giarrusso set the next Committee meeting for Tuesday, May 10, 2011, at 9:00 a.m., before the regular Board Meeting. In closing, Mr. Giarrusso charged Ms. France to take any steps she deemed necessary to disseminate facts about NHRS.

On a motion by Rep. Hawkins, seconded by Trustee McGovern, the meeting adjourned at 9:25 a.m.

Respectfully submitted,
Shannan Hudgins