

NHRS Legislative Committee Meeting

**Note:** The public minutes from the May 10, 2011 Legislative Committee meeting were approved and executed at the May 31, 2011 meeting.

**Legislative Committee  
of the  
Board of Trustees  
May 10, 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; Jill Rockey, *absent*.

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

*Trustees:* Cathy Provencher; Brian Morrissey; Germano Martins; and Dean Crombie.

*Guest:* David Kausch, GRS

Trustee Giarrusso opened the meeting at 9:04 a.m., requesting a motion to approve the April 28, 2011, Committee Minutes. Moved by Rep. Hawkins, seconded by Dr. McGovern, the motion was approved unanimously.

The Chair asked Kim France, *Interim Executive Director*, to lead the review and discussion of SB 3. In working with consulting actuaries GRS and fiduciary counsel Groom Law Group, Staff had identified an Internal Revenue Code ("Code") violation in §35 of SB 3, specifically the opt-out provision of the proposed legislation. The ensuing discussion included the following: current wording allowed any state employee to opt out of retirement benefits at any time and receive a 25% increase in compensation, which was a clear Code violation; further clarification

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whether the Code would allow a municipal employee, required to participate in NHRS, to opt out if he went to work for a state agency, and a request for clarifying language from fiduciary counsel to be supplied to lawmakers to correct the Code violation; verification by Rep. Hawkins that the intention of opt-out provision was to apply to state employees upon initial hire; the fiduciary impact on NHRS if an opt-out provision were enacted; review of a series of assumptions with varying opt-out numbers; cost to NHRS of loss of tax-exempt status; lower aggregate payroll and its affect on the UAAL; employee opt-out at initial hire; and discussion of Groom's qualified opinion of opt-out provisions for new hires, and a request for written clarification.

Ms. France next addressed the implementation date of new legislation, reaffirming her previous statement that NHRS required an effective date of January 1, 2012, to implement the extensive information technology modifications triggered by the significant plan design changes in SB 3 and other pending legislation. Her memorandum of May 9, 2011, to Rep. Ken Hawkins was distributed to all attendees.

Trustee Kate McGovern distributed an analysis of SB 3 and HB 580 she had developed that looked at the normal cost of pensions. Trustee Provencher noted that removing the UAAL from any calculation did not present an accurate representation of pension costs.

Ms. France introduced Mr. David Kausch, consulting actuary from GRS, and asked him to speak to the challenges of taking an omnibus bill and performing a section-by-section analysis. Mr. Kausch stated that best practice nationwide dictated a full-bill analysis that would provide a comprehensive analysis of legislation, including the interactions of multiple provisions within one bill. The risk of losing critical parts was inherent in a menu-style approach to legislative analysis. He added that both cost and time increased with itemized evaluations. From a policy perspective in the legislative process, particularly in light of big reform, looking at the dollar impact was important but the goal should not be solving for the right answer. When you're at every proposal represents a dramatic reduction in contributions, he recommended that the policy discussion be focused on what benefits you want to provide.

After listening to the requests of the legislators, Ms. France stated she and staff would work with Mr. Kausch to establish an "order of magnitude" list of implications on pending legislation. Included in the list would be an unfunded liability employer impact and an unfunded liability member impact. Mr. Giarrusso asked that potential Code violations and implementation date be included. Dr. McGovern asked that an employer rate fiscal note separate from the construction of the benefit changes but based on the extrapolation of fewer members – retiring members not

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replaced – be considered. She emphasized that employers needed a fiscal note on the policy impact of those demographic changes, i.e., the combination of premature retiring, no new hiring, no raises, and the opt out provision that could drive rates up.

In a brief review of other pending legislation, Rep. Hawkins stated that the Retirement System language in HB 2 had been included to balance the budget but would be removed from the Senate version of the legislation. He confirmed there was not a risk of the referenced language becoming law.

Chair Giarrusso requested Ms. France develop an equation to estimate staff costs, and she stated that they were. He set the next Committee meeting for 9:00 a.m., Tuesday, June 14, 2011.

On a motion by Rep. Hawkins, seconded by Dr. McGovern, the meeting adjourned at 9:57 a.m.

*Respectfully submitted,  
Shannan Hudgins*