

Note: These minutes from the October 9, 2018 Legislative Committee meeting, were approved and executed at the November 2, 2018 meeting.

**NHRS Legislative Committee
of the
Board of Trustees
October 9, 2018**

PUBLIC MINUTES

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

Committee Members: Trustees Scott Myers, *Chair*; Sue Hannan, Robert Maloney, and Mike Milligan. Richard Gustafson, Ph.D., absent

Staff: George Lagos, *Executive Director*; Mark Cavanaugh, *Associate Counsel and Compliance Officer*; Diana Crichton, *Hearings Examiner*; Tim Crutchfield, *Chief Legal Counsel*; Tracy Horner, *Member Services Benefits Mgr.*; Marty Karlon, *Public Information Officer*; Nancy Miller, *Director of Member Services*; and Margaret Astles, *Executive Assistant*.

Chair Myers called the meeting to order at 9:30 a.m. Having established a quorum, he called for a motion to accept the September 11, 2018 Legislative Committee meeting minutes.

On a motion by Trustee Maloney, seconded by Trustee Milligan, the Committee unanimously voted to approve the minutes of September 11, 2018 as presented.

PIO Officer Karlon began by stating that only three proposed bills have been submitted during the early filing period for House bills. The next period to file LSRs will be from November 13 to December 3. Mr. Karlon noted that there are two retained bills from 2017 that will be acted upon by the House ED & A Committee on October 23: HB 631, which sets up a cash balance plan for new hires; and HB 593, which is a bill that surfaces every two to three years from the Dept. of Corrections attempting to include personnel into Group II who are not correctional officers but who have direct contact with the prison population.

Mr. Karlon then reported on the Level Dollar Study Committee that met on September 13 and decided that although receiving money up front by moving to a level dollar payoff of retirement system liabilities is a good idea, it is not easily done from a cost perspective. The Study Committee

expressed the view that the projected \$97 million first-year cost to switch to level dollar funding would be far too costly for the employers to absorb, and recommended to stay with the current level percentage of payroll amortization method for the remainder of the 2039 payoff period. In addition, the Committee endorsed the concept that when times are good, the State may contribute additional funds to offset the liability.

Concerning the next topic, Service Credit, Mr. Karlon noted that legislation in 2014 changed the service credit formula for several types of service purchases to the full actuarial cost, but did not modify the Employer Oversight service purchase and the Prior Military Service Purchase sections of the law.

The Oversight service purchase provision addresses situations when an employer fails to enroll a member upon initial eligibility. Currently, if an oversight occurs, there is a 50/50 split between the employer and the member of the cost to purchase service for the oversight period. The proposed new language would change that cost distribution so the member would pay what he or she would have paid during the oversight period at the member contribution rate then in effect and the employer would pay its share based on the current employer rate. The Military Service Purchase would substitute a full actuarial cost approach for service purchase, as opposed to the current formula, making it consistent with the 2014 changes.

Mr. Lagos noted that the decision as to what the appropriate amount for an employer to pay in regard to a benefit is typically a plan sponsor issue, but in this instance, because employer contributions rates have become greater than member contribution rates since the statute was enacted, the current statutory language is no longer a penalty for employers, as it was when the bill was enacted into law. Under present circumstances, the effect of the 50/50 approach could be viewed as an employer subsidy.

Mr. Lagos indicated that staff would develop a memorandum for the Legislative Committee between now and the next Board of Trustees meeting that would outline oversight scenarios so the Committee can see the numbers and, if it desires, make an informed recommendation to the Board in November.

On a motion by Trustee Milligan, seconded by Trustee Maloney, the Committee voted unanimously to adjourn the meeting.

Respectfully submitted,
Margaret M. Astles
Executive Assistant