

NHRS Legislative Committee Meeting

**Note:** These minutes from the September 11, 2018 Legislative Committee meeting, were approved and executed at the October 9, 2018 meeting.

**NHRS Legislative Committee  
of the  
Board of Trustees  
September 11, 2018**

**PUBLIC MINUTES**

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

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

*Staff:* George Lagos, *Executive Director*; Larry Johansen, *Director of Investments*; Tim Crutchfield, *Chief Legal Counsel*; Mark Cavanaugh, *Associate Counsel and Compliance Officer*; Nancy Miller, *Director of Member Services*; Heather Fritzky, *Director of Finance*; Diana Crichton, *Hearings Examiner*; Marty Karlon, *Public Information Officer*, and Margaret Astles, *Executive Assistant*.

*Public:* Casey McCabe, Barbara Reid.

Minutes

Chair Myers called the meeting to order at 12:20 p.m. Having established a quorum, he called for a motion to accept the March 27, 2018 meeting minutes.

On a motion by Trustee Gustafson, seconded by Trustee Milligan, the Committee voted to approve the minutes of March 27, 2018. *Abstentions:* Sue Hannan.

Legislative Committee Charter Annual Review

PIO Officer Marty Karlon began by stating that staff had reviewed the Legislative Charter and found no revisions to be made.

As part of the Charter review and for the benefit of the new Legislative Committee members, Executive Director Lagos commented that the Legislative Committee is not authorized to take positions on matters of

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policy, which is the task of the Legislature acting as plan sponsor. The Board of Trustees administers the plan and it is important to note that in matters of policy the Trustees should remain neutral in most instances.

Following its review of the Charter, the Committee determined no changes were warranted.

### 2019 Legislative Session Update

PIO Officer Marty Karlon informed the Committee about the 2018-2019 House deadlines. He noted that a Legislative Services Request (LSR) is a submission of a proposed bill title before it becomes drafted. The LSR at this point will only be known by title, as the text is confidential. Mr. Karlon then outlined the House dates for when LSRs can be filed. The Senate does not have specific deadlines to file LSRs.

Mr. Karlon reiterated Mr. Lagos's comments that, typically, the Committee has not historically taken positions on matters of policy. The Committee can propose legislation and seek a sponsor to correct administrative issues in which there may be an ambiguity in the law that would cause the System difficulty in administering the law or if the law needed clarification. Currently, staff is working on proposed clarifying language on an issue regarding service purchases, where a member qualifies to buy additional years to be used in the pension calculation. One type of purchase is called Employer Oversight. This happens when an employer fails to enroll an employee and contributions are not sent to the Retirement System. Consequently, the period of service covered by such an oversight may be purchased with contributions from both the member and employer. However, a 2014 amendment regarding service purchases in general created an ambiguity for how oversight purchases should be calculated, which staff would like to rectify with clarifying language.

Executive Director Lagos added that there is a lack of uniformity in the wording of the oversight cost apportionment. Our actuary, Gabriel Roeder & Smyth (GRS) will be reviewing the proposed revisions.

Chief Legal Counsel Crutchfield added that there is also ambiguity in the military service calculation language in addition to the oversight language.

### Level Dollar Amortization Study Committee Update

Mr. Karlon reviewed the Unfunded Actuarial Accrued Liability payoff projection under level percent and level dollar amortization.

Mr. Lagos explained that upon recommendation of the Decennial Commission, a Level Dollar Amortization Study Committee was formed. Level dollar amortization is a funding mechanism that results in a higher employer contribution dollar amount earlier within a closed amortization

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period rather than later, as is the case with level percent of payroll amortization. Currently the Retirement System uses the level percent methodology at the recommendation of our actuary (GRS), which is the predominant methodology used by public plans. He explained that level percent of payroll is a financing mechanism that is “back ended” because it tracks with the anticipated growth of payroll for contributing employers. A study done for the 2017 Decennial Retirement Commission by Boston College recommended the level dollar amortization method and, if implemented in NH in FY '20, would require an additional \$97 million in employer contributions over the level present amount calculated that year alone.

Mr. Karlon noted that the level dollar method does save employers money over time, but the question was whether employers can afford the projected higher contribution amounts over the first eight years, particularly municipalities, if level dollar amortization was initiated.

Mr. Lagos reminded the Committee that NHRS's Board and Committee structures are such that generally, the Committees do not have authority to act on their own and they must make recommendations to the Board. Any action that the Legislative and other Committees take, except the Audit Committee, has to be ratified by the Board of Trustees.

There being no further business to discuss, on a motion by Trustee Milligan, seconded by Trustee Hannan, the Committee voted unanimously to adjourn the meeting.

Respectfully submitted,

Margaret M. Astles  
Executive Assistant