



****PLEASE POST**PLEASE POST**PLEASE POST****

August 13, 2024

To: Retirement System Participants

From: Board of Trustees

Subject: Proposed Plan Changes

The Bylaws of the Board of Trustees, Article XIV, paragraph 14.06 require that proposed amendments be posted thirty (30) days before their adoption “in order to afford interested persons an opportunity to submit data and make their views known either orally or in writing...”

Attached is proposed draft language supported by the Board of Trustees. The Board intends to move forward with soliciting support for legislation to effect small changes in the benefit structure to enhance the future financial strength of MECRS. These changes include increased employee pension contribution for all employees. Other changes would apply only to new hires: increased normal retirement age, increased number of years required for vesting, increased early retirement reduction, and increased period for average final salary.

Any comments regarding this rule may be made in writing and submitted to the office of the City of Manchester Employees' Contributory Retirement System by September 13, 2024, or, comments may be made orally to the Board of Trustees at its next scheduled meeting of September 17, 2024.

FOR INTRODUCTION

2025 SESSION

AN ACT revising certain benefit provisions in the city of Manchester
employees' contributory retirement system.

SPONSORS:

COMMITTEE: Executive Departments & Administration

ANALYSIS

This bill establishes new benefit provisions for the contributory retirement system of the City of Manchester originally established in 1973, 218. This bill increases the member contribution for all participants effective on all wages paid on or after July 1, 2026. It increases the normal retirement age and vesting requirement for participants who commence service on or after July 1, 2026. This bill will also mitigate the cost to the Plan for early retirement and adjust the final average earning calculation for participants who commence service on or after July 1, 2026.

Explanation: Matter added to current law appears in ***bold italics***.

Matter removed from current law appears [~~in brackets and struck through~~].

Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty-Five

AN ACT revising certain benefit provisions in the city of Manchester
employees' contributory retirement system.

*Be it Enacted by the Senate and House of Representatives in General Court
convened:*

1 Manchester Retirement System ; Definition; Final average earnings.
Amend 1973, 218:4, X as amended by 2002, 194:1 to read as follows:

X. "Final average earnings" *for members who commenced service before July 1, 2026*, means the greater of (a) the average annual earnings received by a member during the 3 highest calendar years during the 10 years preceding the member's normal retirement date, date of actual retirement or date of termination of employment, or (b) the average annual earnings received by a member during the highest 36 consecutive calendar months during the 10 years preceding the member's normal retirement date, date of actual retirement or date of termination of employment. The 3 highest years or highest 36 consecutive months shall be selected by the member, it being the intent and purpose of this method of computing final average earnings to afford the highest benefits to the member. If a member has not worked 10 years at the time of the commencement of benefits, the benefit shall be based upon the earnings during the greater of the highest 36 consecutive months or the 3 highest calendar years. *For members who commenced service on or after July 1, 2026, "Final average earnings" means the greater of (a) the average annual earnings received by a member during the 5 highest calendar years during the 10 years preceding the member's normal retirement date, date of actual retirement or date of termination of employment, or (b) the average annual earnings received by a member during the highest 60 consecutive calendar months during the 10 years preceding the member's normal retirement date, date of actual retirement or date of termination of employment. The 5 highest years or highest 60 consecutive months shall be selected by the member, it being the intent and purpose of this method of computing final average earnings to afford the highest benefits to the member. If a member has not worked 10 years at the time of the commencement of benefits, the benefit shall be based upon the earnings during the greater of the highest 60 consecutive months or the 5 highest calendar years.*

2 Definitions; Normal Retirement Date; Amend 1973, 218:4, XIII as amended by 2002, 194:1 and 2002, 147:4 to read as follows:

XIII. "Normal retirement date" shall mean the first day of the month coinciding with or next following a member's sixtieth birthday *for members who commenced service before July 1, 2026, otherwise the first day of the month coinciding with or next following a member's sixty-second birthday.*

3 Employees to Whom the Act Applies. Amend 1973, 218:7, III as amended by 2002, 194:1 and 2008, 90:3 to read as follows:

III. Any eligible employee in the employment of the city on January 1, 1974, who elected not to participate shall only be admitted to the retirement system upon completion of an application for participation, majority consent of

the retirement board, passing a prescribed physical examination, and completion of a service buyback.

4 Employees to Whom the Act Applies. Amend 1973, 218:7, V as amended by 2002, 194:1 and 2008, 90:3 to read as follows:

V. Any member whose hourly work status is subsequently reduced to a level below the minimum participation standards established in subparagraph IV(a) or (b), shall be ineligible for continued membership participation. Any member *who commenced service before July 1, 2026*, who remains in such status for a period of 90 days, and who has less than 5 years' accrued service, shall be entitled to receive a refund of accumulated contributions pursuant to section 11. *Any member who commenced service on or after July 1, 2026, who remains in such status for a period of 90 days, and who has less than 10 years' accrued service, shall be entitled to receive a refund of accumulated contributions pursuant to section 11.*

5 Employees to Whom the Act Applies. Amend 1973, 218:7, VI as amended by 2002, 194:1 and 2008, 90:3 to read as follows:

VI. Any member *who commenced service before July 1, 2026* with ~~more than~~ 5 years *or more* of service *or who commenced service on or after July 1, 2026 with 10 years or more of service*, who continues to be ineligible for participation after the initial 90-day period described in paragraph IV, shall automatically be entitled to a vested deferred retirement allowance, as provided by paragraph II of section II. In lieu of a monthly retirement benefit, such member may elect to receive a refund of accumulated contributions pursuant to paragraph I of section 11.

6 Employees to Whom the Act Applies. Amend 1973, 218:7, VII as amended by 2002, 194:1 and 2008, 90:3 to read as follows:

VII. Any employee who re-qualifies for membership by meeting the minimum participation standards provided in subparagraph IV(a) or (b) and who received a refund of accumulated contributions pursuant to paragraph V, may restore full service credit by reinstating the funds in accordance with paragraph III of section 10. Upon re-qualification for membership ~~by an employee with 5 or more years of service~~, any notice of intention to receive a vested deferred retirement benefit form filed in accordance with paragraph II of section 11, shall be considered invalid.

7 Employees to Whom the Act Applies. Amend 1973, 218:7, IX as amended by 2002, 194:1 and 2008, 90:3 to read as follows:

IX. Employees who commence service on or after July 1, 2026 shall participate under the retirement system statutory provisions in effect for members who commenced service as of that date.

8 Contributions by Employees. Amend 1973, 218:9 I as amended by 2002, 194:1 to read as follows:

I. The rate of contributions by each shall be 3.75 percent of that portion of earnings received during each calendar year or portion thereof. ***Effective for paychecks dated on or after July 1, 2026, the rate of contributions by each member shall be 4.25 percent of that portion of earnings received during each calendar year or portion thereof.***

9 Benefits upon Termination of Employment Prior to Normal Retirement Date. Amend 1973, 218:11,I as amended by 202, 194:1 to read as follows:

I. Any member who has not attained the normal retirement date and whose employment is terminated prior to the completion of 5 years of service ***for those who commenced service before July 1, 2026, or the completion of 10 years of service for those who commenced service on or after July 1, 2026,*** and who is not entitled to a disability retirement pension shall receive a refund of his or her contributions together with regular interest thereon to the date of payment. Such refund shall be in lieu of all other rights and benefits payable to the member under this act. Any member who has attained the normal retirement date, but who wishes to receive a lump sum distribution of accumulated contributions plus interest in lieu of a monthly retirement benefit pursuant to section 12 of this act, may do so upon completion of a waiver of benefits provided by the retirement system.

10 Benefits upon Termination of Employment Prior to Normal Retirement Date. Amend 1973, 218:11,II as amended by 202, 194:1 to read as follows:

II. Any member whose employment is terminated prior to normal retirement date and after the completion of at least 5 years of service ***for those who commenced service before July 1, 2026, or at least 10 years of service for those who commenced service on or after July 1, 2026,*** and who is not entitled to an early retirement pension or a disability retirement pension, and who does not elect to receive a cash refund of the member's contribution together with regular interest, will be entitled to receive, commencing on the normal retirement date, an annual pension computed in accordance with the provisions of section 12 of this act based on the member's total amount of service.

11 Retirement Benefits 218:12, I, as amended by HB 1310 of the 2002 legislative session, is repealed and reenacted to read as follows:

I. Any member *who commenced service prior to July 1, 2026*, who either has attained the age of 60 years or having been in the service of the city on January 1, 1974, has completed at least 20 years of service, shall be eligible for a normal retirement benefit under the provisions of this act. *Any member who commenced service on or after July 1, 2026, who has attained the age of 62 years, shall be eligible for a normal retirement benefit under the provisions of this act.* Any such member may retire by filing with the retirement board a written statement duly attested setting forth at what time subsequent to the date of filing thereof, the member desires to be retired, or the retirement board may, at its option, retire any such eligible member, furnishing written notice thereof at least 60 calendar days in advance of the specified date of such retirement.

12 Retirement Benefits. Amend 1973, 218:12, V, as amended by 2002, 194:1, to read as follows:

V. Members who qualify for a normal retirement benefit shall receive an annual pension payable during the member's lifetime *and determined by the Member's initial commencement of service date*, in an amount equal to the sum of:

(a) One and 1/2 percent of the member's final average earnings multiplied by the number of years, including the fractions of years represented by full months, of service completed prior to January 1, 1999, except that any service credit upgraded to the 2 percent rate pursuant to paragraph VI of this section shall be calculated in accordance with subparagraph (b); plus

(b) Two percent of the member's final average earnings multiplied by the number of years, including the fractions of years represented by full months, of service completed after December 31, 1998.

However, in the case of a member who both was in the employ of the city on January 1, 1974 and has completed not less than 20 years of service at the time of retirement, the annual pension payable during the member's lifetime shall be equal to the greater of the sum of the amounts determined in accordance with (a) and (b) of this paragraph, or 50 percent of final average earnings.

13 Restoration to Service Benefits. Amend 1973, 218:13, I to read as follows:

I. If a formerly disabled member or any other member who has commenced receiving benefits from the retirement system again becomes

eligible to participate, the member's benefits shall cease. The member shall resume making contributions to the retirement fund ***at the rates currently in effect*** and the member shall become eligible to receive a normal retirement benefit determined in accordance with this section.

14 Restoration to Service Benefits. Amend 1973, 218:13, II to read as follows:

II. A member whose benefit is governed by this section shall receive a normal retirement benefit equal to the sum of (a) the benefit calculated based on years of service and final average earnings prior to the resumption of service and (b) the benefit calculated based on years of service and final average earnings after the resumption of service. If, ***after a break in service***, a member has less than ***the required number of years used to calculate final average earnings under the retirement system statutory provisions in effect at the member's initial date of hire*** ~~3 years of service after the break in service~~, the member's benefit after the break in service shall be based upon the earnings of the member for all weeks of service ***after the break in service*** until the retirement date, divided by the number of weeks of service and multiplied by 52.

15 Early Retirement Option. Amend 1973, 218:14, I, as amended by HB 1310 of the 2002 legislative session to read as follows:

I. Each member whose age plus years of service equal 80, or who attains age 55 with a minimum of 20 years of service, may have the option, to be exercised by a written notice to the retirement board, to retire at any time thereafter, prior to the member's normal retirement date. The amount of retirement benefits payable to such retired member shall be computed as provided in section 12 of this act, except that the date of such early retirement shall be used in determining the member's service, and the amount thus obtained will be reduced for each month by which the date on which benefits commence precedes the month after which the member attains 60 years of age by 1/6 of one percent ***for members who commenced service before July 1, 2026 or 62 years of age reduced by 7/12 of one percent per month for members who commenced service on or after July 1, 2026.***

16 Disability Benefits and Their Payment. Amend 1973, 218:15, III to read as follows:

III. If such total disability is shown, to the satisfaction of the retirement board, to have been sustained during the performance of duties pertaining to the member's employment by the city, the member shall be entitled to retirement for disability irrespective of the duration of employment. In order for a member to receive disability benefits under this section, the member shall

submit an application for disability benefits within 60 days of termination of employment. However, any member receiving a disability benefit on account of total and permanent disability sustained during the performance of duties pertaining to employment by the city, as provided herein, shall receive a benefit equal to the greater of the sum of the amounts determined in accordance with (a) and (b) of paragraph II, or 50 percent of final average earnings. If a member *commenced service prior to July 1, 2026 and has less than 3 years of service or commenced service on or after July 1, 2026 and has less than 5 years of service* at the time of becoming totally disabled in the performance of duties pertaining to the member's employment by the city, the member's pension shall be based upon the member's annualized disability earnings. The disabled member may also receive his or her disability benefit in the form of a contingent annuity as described in section 17.

17 Benefits Upon Death of a Member. Amend 1973, 218:16, as amended by 2002, 194; 2003, 16.1; and 2007, 45:1, to read as follows:

I. Accidental Death Benefits.

(a) If, upon the receipt by the board of trustees of proper proof of the death of a member in service indicating that such death was the natural and proximate result of an accident occurring while in the performance of duty at some definite time and place, the board decides that death was the result of an accident in the performance of duty and not caused by the member's own gross negligence, recklessness, or willful misconduct, the member's surviving spouse shall be entitled to the larger of an annual benefit equal to 50 percent of the member's final average earnings paid in equal monthly installments or a monthly benefit computed according to the member's creditable service and final average earnings for the 100 percent contingent annuitant option inclusive of the early retirement reduction ~~of 2 percent per year~~ *set forth in section 14 of this act which corresponds with the member's service commencement date*, for each year prior to member's normal retirement age. In lieu of either option, the member's surviving spouse may instead elect a lump sum payment as described in paragraph I (c).

(b) If at the time of death, the member is not survived by a spouse and the member has designated their child or children under age 18 as his or her beneficiary/beneficiaries pursuant to section 19 of this act, then the annual benefit described in paragraph I(a) shall be payable to the member's child or children under such age, divided in such manner as the board in its discretion shall determine, to continue for the benefit of such child or children under said age until every child dies or attains age 18. In lieu of this annual benefit, the child or children may instead elect a lump sum payment as described in paragraph I (c). The retirement system shall be fully protected in making any

payment hereunder required to be made to a minor if such payment is made to a custodian or guardian for such minor.

(c) If the member does not have a surviving spouse or children, there shall be payable to the beneficiary designated by the member pursuant to section 19 of this act, if living, otherwise to the member's estate, a lump sum equal to the deceased member's annual base salary at the time of death, in addition to a refund of contributions plus regular interest until the date of payment as provided under section 11, paragraph I.

II. Ordinary Death Benefits.

(a) Upon receipt by the board of trustees of proper proof of the death of a member in service indicating that such death was not the result of an accident occurring while in the performance of duty, there shall be a death benefit payable to the member's surviving spouse, if living, otherwise to the member's designated beneficiary or the member's estate.

(b) If at the time of death, the member *commenced service prior to July 1, 2026 and* has at least 5 years of creditable service, *commenced service on or after July 1, 2026 and has at least 10 years of creditable service*, or qualifies to retire under the retirement provisions of section 12 or section 14 of this act, and has a spouse, the member's spouse shall be entitled to receive a monthly lifetime benefit equal to the greater of either 50 percent of the service retirement benefit straight life option without reduction that would have been payable to the member had they been eligible to retire immediately prior to death based upon final average earnings and creditable service or, a monthly benefit computed according to the member's creditable service and final average earnings for the 100 percent contingent annuitant option inclusive of the early retirement reduction of ~~2 percent per year~~ *set forth in section 14 of this act which corresponds with the member's service commencement date* for each year prior to the member's normal retirement age. In lieu of either option, the surviving spouse may instead elect a lump sum equal to the deceased member's annual base salary at the time of death, in addition to a refund of the member's contributions plus regular interest until date of payment as provided under section 11, paragraph I.

(c) If at the time of death, the member *commenced service prior to July 1, 2026 and* has at least 5 years of creditable service, *commenced service on or after July 1, 2026 and has at least 10 years of creditable service*, or qualifies to retire under the retirement provisions of section 12 or section 14 of this act, but is not survived by a spouse, and has designated his or her child or children under age 18 as his or her beneficiary or beneficiaries, there shall be payable divided in such manner as the board in its discretion shall determine, to continue for the benefit of such child or children under said age until every

child dies or attains age 18, the greater of either 50 percent of the service retirement benefit straight life option without reduction that would have been payable to the member had they been eligible to retire immediately prior to death based upon final average earnings and creditable service or, a monthly benefit computed according to the member's creditable service and final average earnings for the 100 percent contingent annuitant option inclusive of the early retirement reduction of ~~2 percent per year~~ ***set forth in section 14 of this act which corresponds with the member's service commencement date*** for each year prior to member's normal retirement age or, a lump sum equal to the deceased member's annual base salary at the time of death, in addition to a refund of contributions plus regular interest until the date of payment as provided under section 11, paragraph I.

(d) If at the time of death, the member ***commenced service prior to July 1, 2026 and*** has at least 5 years of creditable service, ***commenced service on or after July 1, 2026 and has at least 10 years of creditable service***, or qualifies to retire under the retirement provisions of section 12 or section 14 of this act but is not survived by a spouse, and the member's beneficiary is a child or children over age 18 or a person other than the member's spouse, then there shall be payable to the beneficiary if living, otherwise to the member's estate, a lump sum equal to the deceased member's annual base salary at the time of death, in addition to a refund of the member's contributions plus regular interest until the date of payment as provided under section 11, paragraph I.

(e) If at the time of death, the member ***commenced service prior to July 1, 2026 but*** did not have at least 5 years of creditable service, ***commenced service on or after July 1, 2026 but did not have at least 10 years of creditable service***, or did not qualify under the retirement provisions of section 12 or section 14 of this act, there shall be payable to the member's spouse, if living, or the member's designated beneficiary or beneficiaries, if other than the member's spouse, if living, otherwise to the member's estate, a lump sum benefit equal to the deceased member's annual base salary at the time of death in addition to a refund of contributions plus regular interest until the date of payment as provided under section 11, paragraph I.

III. Return of Excess Accumulated Contributions Upon Death of a Member.

Upon the death of a member after his or her retirement allowance payments have commenced, provided the member has not elected an optional allowance that has become effective, any excess of the member's contributions at retirement over the sum of the retirement allowance payments received shall be paid in one sum to the person or persons nominated by the member, if living, otherwise to the member's estate. Upon the death of the survivor of a member and the beneficiary nominated by them under the terms of an option, if an option was elected and had become effective, any excess of the retired member's

contributions at retirement over the sum of the retirement allowance payments received by the retired member and such beneficiary shall be paid to the person nominated by the member, if living, otherwise to the estate of the last to survive of the member and such beneficiary. Nomination of a person to receive the return of the member's contributions pursuant to this section shall be made by the member in writing filed with the retirement system prior to retirement. A member may change his or her nomination by a similar writing. A designation, revocation, or change of the person nominated under an optional election may be made only at the time the member retires, and is an irrevocable election.

Referendum:

At the election to be held in the city of Manchester in November 2025, the city clerk then in office shall cause to be included on the ballot the following statement and question: "A contributory retirement plan for city employees was adopted by the voters of Manchester at the November 1973 election. The plan became effective in January 1974, and now, changes effective for future Plan members, along with other changes designed to ensure the sustainability of the Plan are requested. Are you in favor of the passage of an act of the General Court of 2025, amending the city of Manchester employees' contributory retirement system adopting alternative benefit entitlements for enrollees joining the Plan on or after July 1, 2026 and other changes designed to ensure the future sustainability of the Plan, including requiring 10 years of service to earn a vested benefit for new members and increasing the member contribution rate one-half of one percent for all members?"

Beneath this statement and question shall be printed the word "Yes" and the word "No" with an oval immediately opposite such words, in which the voter may indicate his or her choice. If a majority of the voters present and voting on the question signify their approval thereof, this act shall be declared adopted effective July 1, 2026. The city clerk shall, within 10 days after said election, certify to the secretary of state the result of the vote on the question.

METHODOLOGY:

The Manchester Employees' Contributory Retirement System states this bill will reallocate the future cost of operating Manchester's locally controlled and funded employee retirement plan between prospective plan participants and the employer. There will be no fiscal impact on state, county, or other local revenue or expenditures.

The proposed change in contribution rate of 5% (including health subsidy) to 5.5% (including health subsidy) will apply to all plan participants.

All other proposed changes will only apply to those participants who commence service on or after July 1, 2026 and will not impact any existing plan participants. Proposed changes include the following:

- Normal retirement age will increase from 60 to 62;
- Early retirement reduction changes from 1/6 of 1% per month before normal retirement age to 7/12 of 1%;
- Final Average Earnings 3 year period will increase to 5 years;
- Vesting requirement will increase from 5 years to 10 years

The reduction in future benefit entitlements will improve the funded ratio of the system and accelerate the accrued liability amortization period by less than one year, resulting in a projected savings of 1.62% of payroll over the next 19 years, reflecting the reduction in the employer normal cost. The estimates for these calculations are provided from an actuarial report dated August 8, 2024 and based on a valuation as of December 31, 2023, with the following assumptions: rate of return is 6.75%, wage inflation of 2.50%, payroll growth of 2.50%, with a level percent of payroll, 17 year (remaining) closed valuation period, and individual entry age cost method.