

HB 1292-FN - AS INTRODUCED

2020 SESSION

20-2113

10/03

HOUSE BILL ***1292-FN***

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

SPONSORS: Rep. Long, Hills. 10

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill establishes new benefit provisions for the employees' contributory retirement system of the City of Manchester originally established in 1973, 218 for participants who commence service on or after January 1, 2021. This bill increases the member contribution for participants and increases the normal retirement age. This bill will also mitigate the cost to the Manchester employees' contributory retirement system for early retirement and adjust the final average earning calculation.

Explanation: Matter added to current law appears in ***bold italics***.
Matter removed from current law appears ~~[in brackets and struckthrough.]~~
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

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

3 X. "Final average earnings" ***for members who commenced service before January 1,***
4 ***2021,*** means the greater of (a) the average annual earnings received by a member during the 3
5 highest calendar years during the 10 years preceding the member's normal retirement date, date of
6 actual retirement or date, of termination of employment, or (b) the average annual earnings received
7 by a member during the highest 36 consecutive calendar months during the 10 years preceding the
8 member's normal retirement date, date of actual retirement, or date of termination of employment.
9 The 3 highest years or highest 36 consecutive months shall be selected by the member, it being the
10 intent and purpose of this method of computing final average earnings to afford the highest benefits
11 to the member. If a member has not worked 10 years at the time of the commencement of benefits,
12 the benefit shall be based upon the earnings during the greater of the highest 36 consecutive months
13 or the 3 highest calendar years. ~~[This section shall be effective for members whose retirement date~~
14 ~~is after January 1, 2003.]~~ ***For members who commenced service on or after January 1, 2021,***
15 ***"final average earnings" means the greater of (a) the average annual earnings received by***
16 ***a member during the 5 highest calendar years during the 10 years preceding the member's***
17 ***normal retirement date, date of actual retirement, or date of termination of employment, or***
18 ***(b) the average annual earnings received by a member during the highest 60 consecutive***
19 ***calendar months during the 10 years preceding the member's normal retirement date, date***
20 ***of actual retirement, or date of termination of employment. The 5 highest years or highest***
21 ***60 consecutive months shall be selected by the member, it being the intent and purpose of***
22 ***this method of computing final average earnings to afford the highest benefits to the***
23 ***member. If a member has not worked 10 years at the time of the commencement of benefits,***
24 ***the benefit shall be based upon the earnings during the greater of the highest 60***
25 ***consecutive months or the 5 highest calendar years.***

26 2 Definitions; Normal Retirement Date. Amend RSA 1973, 218:4, XIII as amended by 2002,
27 194:1 and 2002, 147:4 to read as follows:

28 XIII. "Normal retirement date" shall mean the first day of the month coinciding with or next
29 following a member's sixtieth birthday ***for members who commenced service before January 1,***

1 **2021, otherwise the first day of the month coinciding with or next following a member's**
2 **sixty-second birthday.**

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

5 III. Any eligible employee in the employment of the city on January 1, 1974, who elected not
6 to participate shall only be admitted to the retirement system upon completion of an application for
7 participation, majority consent of the retirement board, passing a prescribed physical examination,
8 and completion of a service buyback. **Any such eligible employee who elects to participate**
9 **subsequent to January 1, 2021 shall participate under the retirement system statutory**
10 **provisions in effect for members who commenced service as of that date.**

11 4 Contributions by Employees. Amend RSA 1973, 218:9, I as amended by 2002, 194:1 to read
12 as follows:

13 I. The rate of contributions by each member **who commenced service prior to January 1,**
14 **2021** shall be 3.75 percent of that portion of earnings received during each calendar year or portion
15 thereof; **otherwise the rate of contributions shall be 5.75 percent.**

16 5 Service Buybacks. Amend 1973, 218:10, III, as amended by 2002, 194:1 and 2006, 115:4, to
17 read as follows:

18 III. A member who ceases to be a member, withdraws his or her member contributions
19 pursuant to section 11 of this act, and later becomes a member again, may make a request after the
20 member's return to city employment for service buyback of prior service credit for the previous time
21 served as a member. If a service buyback is not made, the member's benefit shall be based solely on
22 the member's years of service and final average earnings after the break in service. **For former**
23 **members who return to service on or after January 1, 2021, the cost of the buyback shall be**
24 **determined by dividing the value of refunded contributions by the contribution rate in**
25 **effect during their withdrawn period of service, multiplying the results by 5.75 percent, and**
26 **then applying interest at the rate in effect as determined by the board. Members who**
27 **withdrew more than 5 years of service earned prior to January 1, 2021, who return to**
28 **service on or after January 1, 2021 shall pay member contributions at the rate of 5.75**
29 **percent like other new hires, however, the returning member shall retain his or her**
30 **original normal retirement age of 60, and will have their earnings averaged over 3 years**
31 **for benefit calculation purposes. Former members who return to service on or after**
32 **January 1, 2021 who withdrew with less than 5 years of service earned prior to January 1,**
33 **2021 shall be subject to the 5-year earnings average and a normal retirement age of 62.**

34 6 Retirement Benefits Amend 1973, 218:12, I, as amended by 2002, 147:5 and 2002, 194:1 to
35 read as follows:

36 I. Any member **who commenced service prior to January 1, 2021,** who either has
37 attained the age of 60 years or having been in the service of the city on January 1, 1974, has

1 completed at least 20 years of service, shall be eligible for a normal retirement benefit under the
2 provisions of this act. ***Any member who commenced service on or after January 1, 2021, who***
3 ***has attained the age of 62 years, shall be eligible for a normal retirement benefit under the***
4 ***provisions of this act.*** Any such member may retire by filing with the retirement board a written
5 statement duly attested setting forth at what time subsequent to the date of filing thereof, the
6 member desires to be retired, or the retirement board may, at its option, retire any such eligible
7 member, furnishing written notice thereof at least 60 calendar days in advance of the specified date
8 of such retirement.

9 7 Rehirees. Amend 1973, 218:12, III, as amended by 2002, 194:1 to read as follows:

10 III. The retirement system shall not pay retirement or disability benefits to city employees
11 who again become eligible to participate in the retirement system under the act. A member shall
12 notify the retirement system of the member's rehire immediately. Upon rehire after a period of
13 termination, all disbursements under the plan to that member shall cease and the member shall
14 resume making contributions to the retirement fund ***at the contribution rate in effect at***
15 ***resumption of city service*** as of the first pay period following the member's rehire. Rehired
16 members shall have their benefits determined in accordance with section 13 of this act.

17 8 Normal Retirement; Pension Payable. Amend the introductory paragraph of 1973, 218:12, V,
18 as amended by 2002, 194:1 to read as follows:

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

22 9 Restoration to Service Benefits. Amend 1973, 218:13, as amended by 2002, 194:1 to read as
23 follows:

24 218:13 Restoration to Service Benefits.

25 I. If a formerly disabled member or any other member who has commenced receiving
26 benefits from the retirement system again becomes eligible to participate, the member's benefits
27 shall cease. The member shall resume making contributions to the retirement fund ***at the***
28 ***contribution rate in effect at resumption of city service*** and the member shall become eligible
29 to receive a normal retirement benefit determined in accordance with this section.

30 II. A member whose benefit is governed by this section shall receive a normal retirement
31 benefit equal to the sum of (a) the benefit calculated based on years of service and final average
32 earnings prior to the [break in] ***resumption of*** service and (b) the benefit calculated based on years
33 of service and final average earnings after the [break in] ***resumption of*** service. If a member has
34 less than [~~3 years of service~~] ***the required number of years used to calculate final average***
35 ***earnings under the retirement system statutory provisions in effect at the member's initial***
36 ***date of hire*** after the break in service, the member's benefit after the break in service shall be based

1 upon the earnings of the member for all weeks of service until the retirement date, divided by the
2 number of weeks of service and multiplied by 52.

3 10 Early Retirement Option. Amend 1973, 218:14, I, as amended by 2002, 147:6 and 2002,
4 194:1 to read as follows:

5 I. Each member *who commenced service before January 1, 2021*, whose age plus years
6 of service equal 80, or who attains age 55 with a minimum of 20 years of service, may have the
7 option, to be exercised by a written notice to the retirement board, to retire at any time thereafter,
8 prior to the member's normal retirement date. The amount of retirement benefits payable to such
9 retired member shall be computed as provided in section 12 of this act, except that the date of such
10 early retirement shall be used in determining the member's service, and the amount thus obtained
11 will be reduced for each month by which the date on which benefits commence precedes the month
12 after which the member attains 60 years of age by 1/6 of one percent. *Each member who*
13 *commenced service on or after January 1, 2021, whose age plus years of service equal 80, or*
14 *who attains age 55 with a minimum of 20 years of service, may have the option, to be*
15 *exercised by a written notice to the retirement board, to retire at any time thereafter, prior*
16 *to the member's normal retirement date. The amount of retirement benefits payable to*
17 *such retired member shall be computed as provided in section 12 of this act, except that the*
18 *date of such early retirement shall be used in determining the member's service, and the*
19 *amount thus obtained will be reduced for each month by which the date on which benefits*
20 *commence precedes the month after which the member attains 62 years of age by 7/12 of one*
21 *percent.*

22 11 Disability Benefits. Amend 1973, 218:15, III, as amended by 2002, 194:1 to read as follows:

23 III. If such total disability is shown, to the satisfaction of the retirement board, to have been
24 sustained during the performance of duties pertaining to the member's employment by the city, the
25 member shall be entitled to retirement for disability irrespective of the duration of employment. In
26 order for a member to receive disability benefits under this section, the member shall submit an
27 application for disability benefits within 60 days of termination of employment. However, any
28 member receiving a disability benefit on account of total and permanent disability sustained during
29 the performance of duties pertaining to employment by the city, as provided herein, shall receive a
30 benefit equal to the greater of the sum of the amounts determined in accordance with (a) and (b) of
31 paragraph II, or 50 percent of final average earnings. If a member *commenced service prior to*
32 *January 1, 2021 and* has less than 3 years of service at the time of becoming totally disabled in the
33 performance of duties pertaining to the member's employment by the city, the member's pension
34 shall be based upon the member's annualized disability earnings. *If a member commenced*
35 *service on or after January 1, 2021 and has less than 5 years of service at the time of*
36 *becoming totally disabled in the performance of duties pertaining to the member's*
37 *employment by the city, the member's pension shall be based upon the member's annualized*

1 **disability earnings.** The disabled member may also receive his or her disability benefit in the form
2 of a contingent annuity as described in section 17.

3 12 Accidental Death Benefits. Amend 1973, 218:16, I(a), as amended by 2002, 194:1; 2003, 16:1;
4 and 2011, 21:1 to read as follows:

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

17 13 Ordinary Death Benefits. Amend 1973, 218:16, II(b) and (c), as amended by 2002, 194:1;
18 2003, 16:1; and 2011, 21:1 to read as follows:

19 (b) If at the time of death, the member has at least 5 years of creditable service or
20 qualifies to retire under the retirement provisions of section 12 or section 14 of this act, and has a
21 spouse, the member's spouse shall be entitled to receive a monthly lifetime benefit equal to the
22 greater of either 50 percent of the service retirement benefit straight life option without reduction
23 that would have been payable to the member had they been eligible to retire immediately prior to
24 death based upon final average earnings and creditable service or, a monthly benefit computed
25 according to the member's creditable service and final average earnings for the 100 percent
26 contingent annuitant option inclusive of the early retirement reduction of 2 percent per year for each
27 year prior to the member's normal retirement age **for members who commenced service prior to**
28 **January 1, 2021, otherwise 7 percent per year for each year prior to the member's normal**
29 **retirement age.** In lieu of either option, the surviving spouse may instead elect a lump sum equal
30 to the deceased member's annual base salary at the time of death, in addition to a refund of the
31 member's contributions plus regular interest until date of payment as provided under section 11,
32 paragraph I.

33 (c) If at the time of death, the member **commenced service prior to January 1, 2021,**
34 **and** has at least 5 years of creditable service or qualifies to retire under the retirement provisions of
35 section 12 or section 14 of this act, but is not survived by a spouse, and has designated his or her
36 child or children under age 18 as his or her beneficiary or beneficiaries, there shall be payable
37 divided in such manner as the board in its discretion shall determine, to continue for the benefit of

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1 such child or children under said age until every child dies or attains age 18, the greater of either 50
2 percent of the service retirement benefit straight life option without reduction that would have been
3 payable to the member had they been eligible to retire immediately prior to death based upon final
4 average earnings and creditable service or, a monthly benefit computed according to the member's
5 creditable service and final average earnings for the 100 percent contingent annuitant option
6 inclusive of the early retirement reduction of 2 percent per year for each year prior to member's
7 normal retirement age *for members who commenced service prior to January 1, 2021,*
8 *otherwise 7 percent per year,* or, a lump sum equal to the deceased member's annual base salary
9 at the time of death, in addition to a refund of contributions plus regular interest until the date of
10 payment as provided under section 11, paragraph I.

11 14 Effective Date. This act shall take effect January 1, 2021.

**HB 1292-FN- FISCAL NOTE
AS INTRODUEED**

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

FISCAL IMPACT: State County Local None

LOCAL:	Estimated Increase / (Decrease)			
	FY 2020	FY 2021	FY 2022	FY 2023
Appropriation	\$0	\$0	\$0	\$0
Revenue	\$0	\$0	\$0	\$0
Expenditures	\$0	Indeterminable Decrease	Indeterminable Decrease	Indeterminable Decrease

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 changes will only apply to those participants who commence service on or after January 1, 2021 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;
- Member contribution rate will increase from 5% to 7%

The reduction in future benefit entitlements will improve the funded ratio of the system and accelerate the accrued liability amortization period by approximately one year, resulting in a projected savings of 3.1% of payroll over the next 20 years, reflecting the reduction in the employer normal cost. The estimates for these calculations are provided from an actuarial report dated September 7, 2018 and based on a valuation as of December 31, 2017, with the following assumptions: rate of return is 7.00%, wage inflation of 2.75%, payroll growth of 2.75%, with a level percent of payroll, 22 year (remaining) closed valuation period, and individual entry age cost method.

AGENCIES CONTACTED:

Manchester Employees' Contributory Retirement System