



One Down and One to Go

Governor John Lynch signed House Bill 653 into law on June 29, one day before the June 30 effective date of the legislation. HB 876, establishing a study commission, still awaits his signature.

HB 653 (Chapter Law 268) contains a variety of legislative changes aimed at salvaging a financially weakened pension system. Not included in the legislation was a 2 percent pre-funded cost-of-living adjustment (COLA) plan strongly supported by NEA-NH.

- Retirement provisions contained in HB 653 include the following:
- System liabilities will now be calculated on an Entry Age Normal actuarial funding methodology.
- The current \$3 billion unfunded accrued liability will be repaid by increased employer contributions over a 30-year period.
- Investment gains in excess of 10.5 percent will go into the Special Account only when the trust has reached an 85 percent funding level.
- Purchase of up to 5 years nonqualified service credit ends. However, eligible members who applied for the purchase by June 29, 2007 will be able to complete the transaction.
- A representative of management will have a seat on the New Hampshire Retirement System Board of Trustees.
- Retirees will get a 2.25 percent COLA effective July 1, 2007.
- The so-called "Gentlemen's Agreement" requiring a 3-year 5 percent COLA reserve in the Special Account is eliminated, thereby allowing all the funds in the Account to be depleted.

HB 876 creates a 21-member study commission that will make recommendations for the long-term viability of the system. The Commission will review the funding and governance of the system. A major area of study is expected to focus on the pending depletion of the retiree medical subsidy program. The Commission's report is due on or before December 1, 2007.

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