New Hampshire Retirement System

NH Retired Educators

May 22, 2018
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• NHRS is a component unit of state government overseen by a Board of Trustees
  • Board of Trustees and Independent Investment Committee are fiduciaries
• NH Legislature is the plan sponsor (RSA 100-A)
• NHRS staff implements statute, rules, policies
  • Internal Revenue Code
• NH Constitution Art. 36-a
  • Protects funds ‘for the exclusive purpose’ of providing benefits
  • Requires board certify employer rates based on sound actuarial practice
  • Requires employers to pay the rates certified
### Membership at June 30, 2017

<table>
<thead>
<tr>
<th></th>
<th>Employees</th>
<th>Teachers</th>
<th>Police</th>
<th>Fire</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Active</strong></td>
<td>24,478</td>
<td>17,617</td>
<td>4,151</td>
<td>1,640</td>
<td>47,886</td>
</tr>
<tr>
<td>**Retirees/</td>
<td>17,573</td>
<td>12,696</td>
<td>3,786</td>
<td>1,639</td>
<td>35,694</td>
</tr>
<tr>
<td>Beneficiaries</td>
<td></td>
<td></td>
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</tbody>
</table>
• **Active Teacher Members**
  - Average Age: 46.1
  - Average Service: 13.5 years
  - Average Salary: $60,932

• **Retired Teacher Members**
  - Average Age: 70.9
  - $21,804
  - 70% of teachers retired with 20-plus years of service; nearly 35% retired with 30-plus years
• In FY 2017, $706.3 million in pension benefits were paid to retirees and beneficiaries
  • Average benefit: $20k
• In the same period, $50.6 million in post-retirement Medical Subsidy payments were paid on behalf of eligible retirees and beneficiaries
• 80% of annuitants live in NH
Benefits

Distribution of Benefits at 12/31/17

- Annual benefit under $10k: 29%
- Annual benefit under $25k: 67%
- Annual benefit under $50k: 94%
- Annual benefit greater than $75k: 1.1%
Unfunded Actuarial Accrued Liability (UAAL)

- The result of artificially low employer contributions coupled with transfer of ‘excess’ investment earnings to Special Account over an extended period; exacerbated by 2008-09 market downturn
- $5.0 billion at the close of FY 2017, a funded ratio of 61.8%
- UAAL grew due to reduction of assumed rate of investment return from 7.75% to 7.25% in 2016
- Method is in place to amortize current liability through employer contribution rates over a 30-year period ending in 2039
• One-year return on investments: 13.5%
• Three-year return: 5.8%
• Five-year return: 9.8%
• 10-year return: 5.7%
• 20-year return: 6.8%
• 25-year return: 8.2%

*Investment performance better than 90% of peer group over three- and five-year periods, better than 80% over one-, 10-, 20- and 25-year periods*

• Trust fund assets at 3/31/18: $8.7 billion
Decennial Commission (RSA 100-A:57)

- “There shall be established decennially on or about July 1, beginning in 2017, a commission to make recommendations to ensure the long-term viability of the New Hampshire retirement system.”
- First meeting: August 31 (15 total meetings)
- Interim report issued: December 1
- Final report: January 10
Decennial Recommendations

- Funding (4)
- Working After Retirement (4)
- COLA/TSA
- Group I Age 65 adjustment
- Trustee terms
- Commission schedule
Boston College – CRR report findings

• NHRS uses among the most conservative assumptions for mortality and rate of return in the Public Plans Database, which covers a universe of 170 large state and local plans; NHRS’ investment returns also exceed most other plans
• NHRS benefits are modest compared with other plans, particularly because the NHRS plan lacks a COLA
• The total normal cost (the estimated annual value of pension benefits as they are earned) is low relative to other plans
• Employers pay very little to the normal cost – only 2.7% of payroll compared to the national average of 5.9%
• Total government costs for NHRS is currently about 15% of payroll compared to a national average of about 18%
• UAAL growth driven by losses in great financial crisis, level-percent amortization, and reductions to assumed rate of return
Since 2007, about 90 changes have been made to the statute governing NHRS

NHRS’ Legislative Role

- Provide data and objective analysis
  - Fiscal Note Worksheets
  - ‘Bill Briefs’
  - Testimony
  - Informational materials (annual reports, actuarial valuations, etc.)
• **One-time payment to certain retirees**
  
  • **HB 1756**: Grants a one-time additional allowance of $500 in fiscal year 2019 to retired members who meet all of the following criteria: (a) The member retired with at least 20 years of creditable service; (b) The member retired and has been receiving an allowance for at least 5 years prior to July 1, 2018; (c) The annual retirement allowance of the member on June 30, 2018, is not greater than $30,000. *(Passed by House and Senate; to be sent to Governor)*
• **Working after retirement**

  • **HB 561**: Limits NHRS retirees working part-time for retirement system participating employers to a maximum of 1,352 hours per calendar year, effective 1/1/19. Retirees currently working part-time would be allowed to work up to 1,664 hours per calendar year for as long as they remain in the position they hold on the effective date of the bill. The bill also contains a financial penalty for any retirees exceeding the statutory limits on annual hours worked and requires those who retire on/after 1/1/19 to wait 28 days from their effective date of retirement before they can work in a part-time capacity for a participating employer. *(To be voted on by House and Senate tomorrow)*
Other legislation that passed

- **HB 1805**: Study employer funding method; trustee terms
- **HB 1823**: Layered amortization
- **SB 324, SB 458, SB 538**
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