

email to  
C. Carner

## **Retirement System, 125% and Municipalities**

Written by Ricia McMahon

Like most investors across the country those in New Hampshire are concerned about financial losses and have experienced ups and downs as a result of the current economic situation. The long term perspective of the New Hampshire Retirement System (NHRS) public pension fund investments for state employees, teachers, police and firefighters must be kept in mind.

The actuarial basis for each employee's annuity or defined benefit is over a career that spans 20-30 years or more and the amount of money contributed to the fund by both employer and employee. This past legislative session we made progress to stabilize an underperforming and underfunded system, safeguard the pensions of retirees and assure that municipalities both large and small are given fair consideration.

Our intention is to make certain that timely contributions to the NHRS are sufficient to fund employee's pensions and to assess all employers for their reasonable share including the long-term cost of the bonuses they may pay to retiring workers at the end of their careers. These final large payments create "spiking" and contribute to bigger future annual pension benefits for those who receive additional end of career compensation. These "spiking" contributions can include vacation pay, unused sick time or early retirement incentives and do not have the long term ability to generate a return on investment comparable to the monthly employee and employer contributions.

Not all municipalities or employers are able to offer the "spiking" benefits to their employees. But because there is a larger annuity over the years of retirement due to the "spiking" for those fortunate enough to receive them, all employers must participate in the cost sharing.

The actuary for the NHRS years ago created a "loading factor" for those unique "spiking" characteristics in order to adjust for fluctuation in pension fund calculations that would occur. Each year all employer contributions are between 7 to 11% higher than they would be if spiking was not awarded to accommodate the bonuses. This cost is ultimately paid for by all property tax payers for their share of the employer's contribution.

Legislators realize that a review of the impact and/or the unintended consequences of the aspects of the recent law to avert "spiking" and subsequent enhanced future pension payments need to be on our agenda. The original intent was not to limit what the employer wished to give the employee but to only consider the employee's average pay in the three highest-paid years

From C. Dede - read into record

Since I will be away on vacation, I'd like the following in the record as my position on these two CIP issues about which I am concerned and presently opposed.

#### CIP

Hold off Henry Law for two years until the Washington St. Bridge is done. The current traffic configuration means truck traffic MUST use the newly repaved section of Henry Law to get out of town. The situation can change when the Bridge is opened or, at least passable for construction vehicles.

In addition, **IF** there is a compliant future Council that approves a minor league ballpark in the Maglaras park, then turning lanes, signals, and parking areas must all become part of this part of the Henry Law project. As long as the Maglaras Park expansion remains in the CIP, it is inadvisable to go ahead with any more of the Henry Law upgrade. In addition, there is a new subdivision going in at 165 Henry Law and this project should not be started until after that subdivision is added.

Let's scrap anything more on Henry Law until the Maglaras Park issue is defined, and until the Washington St. Bridge is passable and until the new subdivision at 165 Henry Law is completed.

I think we should hold off Tolend Rd. until we have a handle on the truck traffic that will be needed for the Remediation process. We also must establish the required route that trucks will take in this process. Perhaps an overlay of the required truck routes to show the areas that will be most heavily impacted once the trucks start to run would be appropriate. I am concerned that we will redo Tolend Road and then ruin it with truck traffic. We need to restrict truck access there and if we have a Landfill Remediation Project going on, we can't do that. We will be wasting the money if we do it before we have a better handle on the probable truck traffic the road will have to absorb..

handed in  
11/19

November 19, 2008 City Council Workshop comments by Dean Trefethen

Re: State Legislative Delegation

There are two points I'd like to cover. The first concerns the state retirement system in general and the so called 125% rule in particular. The house last year put together a very comprehensive and fair bill to revamp the retirement system. Unfortunately the bill was gutted in the senate. I urge you to resurrect the original house bill and work with the senate to pass a bill which resemble yours. The house bill truly fixed the problems of the retirement system without effecting the benefits of those currently receiving payments or those close to collecting. Please represent the 95% of New Hampshire residents that have nothing to do with the state retirement system.

Also, the 125% rule needs to be repealed or drastically modified, and it needs to be done immediately. This issue needs to be the first thing tackled by the legislature and resolved quickly. We can't wait months for this revision to work its way thru the normal process. This needs to be fast tracked. This provision, if left standing, will drastically effect the city's finances and also hurts our union employees that are bargaining in good faith.

The second point concerns the county tax obligation. As legislators, I urge you to stop balancing the state budget by passing on costs to the county, which are then passed on to our local taxpayers. If the state doesn't have enough money, then cut expenditures, as we have to do at the local level. And later, when you review the county budget, please keep in mind who is paying the bill...the local taxpayer. If the increase is more than the rate of inflation then priorities need to be established and cuts will need to be made. The policy of passing these costs on to the local taxpayer must end. Since we have to pay whatever you decide the county budget is going to be, what happens is that we have to eliminate programs at our level because the pot of money is limited. Dover has a tax cap and now so does Rochester. That is more than 40% of the county's population and land assessment that is under a tax cap. You need to seriously consider the dynamics this reality presents.

Thank you for your attention in these matters.