

NEW HAMPSHIRE RETIREE MEDICAL TRUSTS
Presented by NH House Speaker Terie Norelli
July 28, 2010

Commission Goals

1. Allows for member and employer contributions.
 2. Utilizes tax advantaged contributions, earnings, and benefit distributions.
 3. Includes pre-funding for cost-effectiveness, security, and to satisfy GASB and IRS.
 4. Permits employer contributions through negotiated matches for currently active members.
 5. Permits additional voluntary member contributions.
 6. Is administratively efficient.
 7. Is available and integrated with other benefits.
 8. Allows unused sick and vacation leave to be contributed toward the medical subsidy.
 9. Is viable long term.
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SJR 2 – 2010 Legislative Session

A RESOLUTION endorsing the establishment of a statewide retiree medical trust for public employee health care reimbursement benefits after retirement.

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

1 Whereas, the legislature, in 2007, 355, established the commission to make recommendations to ensure
2 the long-term viability of the New Hampshire retirement system; and

3 Whereas, the commission met and subsequently filed its report on January 2, 2008; and

4 Whereas, certain recommendations from the report of the commission were included in 2008, 300,
5 relative to administration of the New Hampshire retirement system and benefits for members; and

6 Whereas, the legislature, in 2008, 355:13, established a commission to propose a retiree health care
7 benefits funding model (hereinafter retiree health commission); and

8 Whereas, the retiree health commission met and studied alternative approaches to retiree health care
9 funding; and

10 Whereas, the retiree health commission recommended the establishment of a retiree medical trust,
11 according to applicable state and federal law, to provide a funding source for reimbursement of post-
12 retirement medical expenses of state, county, and municipal employees; now, therefore, be it

13 Resolved by the Senate and House of Representatives in General Court convened:

14 That the general court hereby endorses the implementation of a retiree medical trust, to be established
15 by public employee associations and/or unions, according to applicable state and federal law and regulations,

1 to provide medical expense reimbursement benefits after retirement to retirees of local, county, and state
2 governments, provided such retiree medical trust meets the following criteria:

3 I. Participation in such a trust is elective by option of an employee group, which includes an
4 employee bargaining unit or other rational employee classification. The employee group will have the option
5 to join the trust, and to select the employee contribution level. If an employee group decides to join the trust,
6 then every employee in that group shall participate in the trust.

7 II. Contributions to such a trust are made during active employment for benefit payments after
8 retirement, so that the trust is pre-funded and not pay-as-you-go funded. Employee and/or employer
9 contributions shall be transferred to the trust by employers during the active working lives of employees, in
10 the fixed amount negotiated in a collective bargaining agreement or set forth in an employer resolution or
11 other written document for non-bargained employees.

12 III. The trust provides to participating retirees reimbursement payments toward the costs, in whole
13 or in part, of health insurance premiums and miscellaneous medical expenses.

14 IV. All contributions to the trust are based on a defined contribution level set forth in a collective
15 bargaining agreement, memorandum of understanding, or other written agreement to which a participating
16 employer is signatory. There shall be no defined vested benefits.

17 V. Funding for the trust is negotiated and may include the following:

18 (a) From regular payroll. Each bargaining unit or other employee classification will decide the
19 level of its employee contributions. The level of employee contributions will be uniform for all members of
20 the association bargaining unit or employee classification.

21 (b) From transfer of sick leave and vacation leave. Each bargaining unit or other employee
22 classification may provide that accumulated sick and/or vacation leave which is payable upon retirement be
23 transferable to the trust on retirement.

24 (c) From participating employers. Contributions may be accepted from the local, county, and
25 state governmental employers, as negotiated by the parties. These contributions may be either in a lump
26 sum, or a regular monthly or annual contribution.

27 VI. The trust is structured to provide optimal tax advantages, which under current federal law
28 include:

29 (a) Pretax contributions. All contributions made to the trust are not taxable income to the
30 employee, even though they may be employee contributions.

31 (b) Tax free earnings. The earnings of the trust are exempt from tax, which enables higher
32 benefits to retirees.

33 (c) Non-taxable distributions. Benefit payments from the trust to retirees are not taxable
34 income to retirees.

35 VII. The trust is administered by a board of trustees, who are appointed or elected according to rules
36 set by the sponsoring organizations.

37 VIII. The benefit plan and trust shall be designed so that participating employers avoid
38 Governmental Accounting Standards Board (GASB) reporting obligations as a "defined benefit" plan. It is
39 structured as a defined contribution plan.