





NHRS Basics: Presentation for HR and Personnel Departments

Contents

- **NHRS overview**
 - **Enrollment, Termination and Working After Retirement**
 - **Benefits**
 - **Common member questions**
 - **Resources**
- 


Overview

- NHRS is a contributory, multi-employer, defined benefit plan established in 1967
 - Provides retirement, disability, and death benefits, as well as a post-retirement Medical Subsidy to eligible members and their beneficiaries
 - Once members attain eligibility, they can receive a guaranteed lifetime pension
 - Pension benefits are funded through employee and employer contributions and investment returns
 - Investment returns have historically provided the majority of funding for pension benefits
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Overview

- **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 to certify employer rates based on sound actuarial practice
 - Requires employers to pay the rates certified

Overview

- **Group I: Employee and Teacher members of the state, school districts, municipalities, counties, and other political subdivisions**
 - **Group II: Police and Fire members**
 - **More than 460 participating employers**
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Overview

- **Accumulated Contributions**
 - **Member contributions plus credited interest**
 - Not employer contributions
- **In Service**
 - **Member and employer actively contributing to NHRS; FMLA; Workers' Compensation; active military duty**
- **Service**
 - **Key component of pension formula**
 - **Active members earn service credit each month**
 - Other service credit

Overview

- **Vesting**

- Being vested means a member has earned the right to a future pension benefit
- There are two ways to be vested:
 - Complete 10 years of creditable service, or
 - Members working in an NHRS–covered position at or beyond age 60 become eligible for service retirement, regardless of years of creditable service
 - Group I members hired on/after 7/1/11 cannot receive benefit until age 65



Enrollment,
Termination, and
Working after
Retirement

Enrolling a new member

- In most cases of full-time employment, membership in the retirement system is mandatory
 - Enrollment is done through monthly employer reporting in the DRS

Note: Enrollment updates are also required when a member changes employers or changes classification or group (i.e. “Employee” moves into “Teacher” position; a Group I member takes a Group II job)
 - Also provide a Designation of Death Beneficiary(ies) (Pre-retirement), OR Death Benefits Designation of a Trust as Beneficiary to new member

Employer Termination Forms

- Required when an employee retires
- There are different forms depending on position classification, vested status and whether or not the form is for a deceased member
 - With the exception of the deceased member forms, employers may obtain paper versions of the forms from the NHRS website or by contacting Member Benefits at termforms@nhrs.org.
 - Terminations should also be reported through the Data Reporting System (DRS)

Working After Retirement

- ▶ May work for any non-NHRS employer with no restrictions
- ▶ May not occupy NHRS-covered position and receive pension
- ▶ NHRS retirees working part-time for retirement system participating employers are limited to a maximum of 1,352 hours per calendar year and subject to a 28-day separation from service
 - Financial penalty for any retirees exceeding the statutory limits on annual hours worked
- ▶ FAQ: <https://www.nhrs.org/faqs/faq-part-time-employment>



Benefits

Benefits

- NHRS is a defined benefit plan, i.e. benefits are not based on contributions or investment returns
- Four types of retirement: service, disability, early service, and vested deferred
- Different benefits provisions apply to Group I and Group II
- Different benefits provisions apply based on vested status and date of hire
 - **Tier A:** Members vested prior to 1/1/2012
 - **Tier B:** Members in service prior to 7/1/2011 but not vested prior to 1/1/2012
 - **Tier C:** Members hired on/after 7/1/2011

Benefits

- Pension benefits are determined by statutory formulas that consist of three components
 - Creditable Service
 - Average Final Compensation
 - Benefit Multiplier
- Detailed benefit information for specific member tiers:
<https://www.nhrs.org/members/benefits>

Service Retirement: **Group I**

Formula used for members from age 60 to their full Social Security retirement age:

AFC divided by 60,
multiplied by creditable service
= annual pension

$$\$42,000 \div 60 = \$700$$

$$\$700 \times 30 \text{ years} = \$21,000$$

Service Retirement: **Group I**

All Group I members experience a reduction in their pension amount beginning at their full Social Security retirement age, based on the benefit formula, regardless of their effective date of retirement

Formula used for all members after reaching their full Social Security retirement age:

AFC divided by 66, multiplied by creditable service
= annual pension

$$\$42,000 \div 66 = \$636$$

$$\$636 \times 30 \text{ years} = \$19,091$$

Service Retirement: **Group II Tier A**

- Age 45 with 20 years of Group II service
- Age 60 with no minimum Group II service

$$\text{AFC} \times 2 \frac{1}{2} \% \times \text{creditable service} \\ = \text{annual pension}$$

Service Retirement: **Group II: Tier B**

Minimum age/Creditable Service requirements and benefit multiplier are on a sliding scale based on years of Creditable Service as of Jan. 1, 2012

Years of Creditable Service as of 1/1/12	Minimum Age	Minimum Service	Benefit Multiplier
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

Benefit multiplier is 2.5% for all years after the first 15 years of Group II service for members who retire under service or ordinary disability retirement on/after 7/1/24

Service Retirement: **Group II Tier C**

For members hired on or after July 1, 2011:

- Age 52.5 with 25 years of Group II service

$AFC \times 2\% \times \text{creditable service} = \text{annual pension}$



Early Retirement:

Group I Tier A and Tier B

- At least 10 years of creditable service
- Ages 50–59

OR “Rule of 70”:

- At least 20 years of creditable service
- $\text{Age} + \text{Service} = 70$

Early Retirement:

Group I Tier A and Tier B

Permanently reduced pension based on number of years and months before age 60 that retirement pension commences.

Years of Creditable Service	Reduction
35+ years	1 1/2%
30-34 years	3%
25-29 years	4%
20-24 years	5%
Fewer than 20 years	6 2/3%

Early Retirement: **Group I Tier C**




- Members with at least 30 years of creditable service are eligible for a reduced retirement allowance beginning at age 60
- Lifetime pension will be permanently reduced by $\frac{1}{4}\%$ per month for every month prior to age 65

Early Retirement: **Group II Tier C**

- Members with at least 25 years of Creditable Service may receive a reduced allowance at or after age 50
 - Allowance will be permanently reduced by $\frac{1}{4}$ of one percent for each month prior to age 52.5 the member receives an allowance



Vested Deferred Retirement

- At least 10 years of creditable service
 - Terminate NHRS-covered employment
 - Do not withdraw accumulated contributions
 - Pension may commence upon attainment of retirement eligibility
 - Required Minimum Distribution
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Disability Retirement

- **Ordinary Disability**
 - Non-job-related permanent incapacity
 - 10 years of creditable service required
- **Accidental Disability**
 - Job-related permanent incapacity
 - No minimum service required
- **Group II Violent Accidental Disability**
 - Purposeful, hostile, and violent attack in the line of duty
 - No minimum service required

Approaching Retirement



The image shows a form titled "NHRS APPLICATION FOR SERVICE/VESTED DEFERRED RETIREMENT GROUP 1 (EMPLOYEE AND TEACHER)". The form includes sections for "SECTION 1 - MEMBER INFORMATION (Please print)", "SECTION 2 - SELECTION OF RETIREMENT BENEFIT", and "SECTION 3 - DESIGNATION OF PRIMARY BENEFICIARY". It contains various fields for personal information, contact details, and retirement options.

- ▶ Estimate Card
- ▶ Application is online
 - Download a retirement application at www.nhrs.org
- ▶ Personal appointment (optional)
 - In-person, video conference or by phone
 - Advance notice is required
 - Call (877) 600-0158 x3500
- ▶ How to Fill Out an Application Packet webinars
 - <https://www.nhrs.org/meetings-events/>

Filing for Retirement

- File with NHRS 30–90 days prior to effective date of retirement (always the first of a month)
- Terminate NHRS–covered employment prior to the effective date of retirement



Common Member Questions

Common Member Questions

Q: How do retirement contributions work?

- **Member Contributions are set by statute**
 - Employees (Group I): 7%
 - Teachers (Group I): 7%
 - Police (Group II): 11.55%
 - Fire (Group II): 11.8%
- **Employer contributions are determined every two years**
 - Employer contributions are never paid out as a lump sum withdrawal, they are used to fund pension payments
 - If a member terminates employment and opts to withdraw or roll over accumulated contributions, he or she will receive contributions and interest

Common Member Questions

Q: Do member contributions earn interest?

- Yes, interest is set by statute at the beginning of each calendar year and applied to member accumulated contributions
 - The current interest range is between 4.75% and zero, based on investment earnings in the prior fiscal year
 - Regardless of economic conditions, members will never lose money on their contributions

Q: Why do members have to contribute?

- It's the law

Common Member Questions

Q: How often can a member update his or her beneficiary?

- Before retiring, members can update their beneficiary at any time.
- Remind members to make sure the beneficiary is up-to-date after any major life change:
 - Marriage
 - Divorce
 - Children
 - Death of beneficiary

Common Member Questions

Q: What if a member leaves public employment?

- **Leave contributions with NHRS**
 - If members are vested and do not withdraw your funds, they can apply for a pension when they meet eligibility requirements
 - Even if member is not vested, leaving contributions with NHRS preserves your years of service and date of membership should someone return to NHRS-covered employment at a later date
 - Contributions may earn interest
- **Withdraw contributions plus interest**
 - Pay taxes on the withdrawn funds
 - Terminates NHRS membership and forfeit right to pension
- **Roll over contributions and interest into another qualified plan**
 - No penalty, no tax consequences
 - Terminates NHRS membership and forfeit right to pension

Common Member Questions

Q: What if a member goes to work for another retirement system employer?

- **Nothing changes when moving to another NHRS employer**
 - **Members still make contributions**
 - **Members continue to add to service**
 - **If vested:**
 - **Remain eligible for a lifetime benefit at retirement**
 - **Death and disability benefits stay intact**
- **Note: New employer must re-enroll member**

Common Member Questions

Q: Can members take a loan against their contributions?

- No, loans are not allowed.

Q: Can members put extra money into the pension plan?

- New NHRS members cannot contribute extra money into their retirement account.
- Note: 'Additional Contributions' provision exists for members who signed up before this program was repealed in 2004.

Common Member Questions

Q: Can a member transfer service earned from another retirement system into NHRS?

- **Service earned in another public employee pension plan is not transferrable**
 - This includes federal employment
 - NHRS service may be transferrable to another state or local plan
 - Check with new employer for details

Common Member Questions

Q: What happens if a member dies while still working?

- Job-related death benefits are available to the beneficiaries of all active members
- Members with 10 years of creditable service also qualify for non-job-related death benefits
- Member must be in service
- Regardless of whether or not the beneficiary is eligible for a death benefit, they will receive a refund of the member's accumulated contributions
- Pre-Selection of a Survivorship Option
 - If member is actively contributing AND is eligible for retirement benefit
 - Lifetime pension to beneficiary if member dies before applying for retirement




Resources

How can I learn more?

- Visit www.nhrs.org for:
 - Employer Resources page and HR/Personnel Resources page
 - Page geared towards information for new members, mid-career members, and members approaching retirement
 - Printable benefit summaries
 - FAQs
 - NHRs... Now You Know

How can I learn more?

- **Employer education sessions**
 - Audit topics
 - Reporting topics
 - Combination audit/reporting
 - **Member education sessions**
 - Separate Group I and Group II sessions
 - Webinars for new members, mid-career members, and members close to retirement
 - Retirement application webinars
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My Account

- **View personal account information**
 - Including annual statements
- **Complete and submit forms**
- **Use our online calculator to estimate your future benefits**



Keep in Touch

- Visit our website at www.nhrs.org
- Receive news updates and information with *NHRS Email Updates*
- Connect with us on social media



Contact:

54 Regional Drive, Concord, NH 03301

Phone: 603-410-3500

Toll Free: 877-600-0158

info@nhrs.org

What's the fine print?

The New Hampshire Retirement System (NHRS) is governed by New Hampshire RSA 100-A, rules, regulations, and Federal laws including the Internal Revenue Code. NHRS also implements policies adopted by the Board of Trustees. These laws, rules, regulations, and policies are subject to change. Even though the goal of NHRS is to provide information that is current, correct, and complete, NHRS does not make any representation or warranty as to the current applicability, accuracy, or completeness of any information provided. The information herein is intended to provide general information only, and should not be construed as a legal opinion or as legal advice. Members are encouraged to address specific questions regarding NHRS with an NHRS representative. In the event of any conflict between the information herein and the laws, rules, and regulations which govern NHRS, the laws, rules, and regulations shall prevail.

