



**NH Retirement System**  
**54 Regional Drive**  
**Concord, NH 03301**  
**Phone: (603) 410-3500**  
**[www.nhrs.org](http://www.nhrs.org)**

**For Immediate Release:** August 29, 2011

**Contact:** Denise M. Call, Director, Employer Services, 603-410-3516; [denise.call@nhrs.org](mailto:denise.call@nhrs.org)

## **NHRS Frequently Asked Questions Concerning Employer Assessment Under RSA 100-A:16, III-a**

**Updated: Aug. 29, 2011**

*(This document replaces the FAQ dated August 18, 2011)*

Here are answers to some frequently asked questions New Hampshire Retirement System (NHRS) participating employers may have concerning House Bill 462 (Chapter 230, Laws of 2011), which deals with the determination of employer assessments for excess benefits paid by employers (“spiking”). House Bill 462 delayed the effective date of RSA 100-A:16, III-a, until July 1, 2012. In addition, the formula used to calculate this assessment has been modified and the assessment has been phased in over four years beginning July 1, 2012.

### **What is the intent of the law?**

A key element of the NHRS pension formula is average final compensation, which is the average of a member’s highest-paid years. These are typically, but not always, the final years of a member’s career.

Members have historically been able to increase their “Earnable Compensation” in their final years as a result of factors such as contractually negotiated severance payments and/or cashing out accrued sick and vacation time earned throughout their career. Depending on the job type, members could also increase their compensation through overtime, stipends or, in the case of public safety personnel, private detail assignments.

In an effort to discourage employers from allowing extreme end-of-career spikes in Earnable Compensation, the Legislature in 2008 enacted House Bill 1645, which stated that if the member’s average final compensation is greater than 125 percent of his/her average base pay for the same period, then the employer is responsible for funding the unfunded cost of the member’s future pension that is attributed to the difference.

### **What does the new law say?**

You can read the text of House Bill 462 at the link below:  
<http://www.gencourt.state.nh.us/legislation/2011/HB0462.html>

### **What is the phase-in provision?**

House Bill 462 calls for the assessment to be phased-in as follows:

- For retirement dates beginning July 1, 2012, through June 30, 2013, employers are responsible for paying 25 percent of the assessment.
- For retirement dates beginning July 1, 2013, through June 30, 2014, employers are responsible for paying 50 percent of the assessment.
- For retirement dates beginning July 1, 2014, through June 30, 2015, employers are responsible for paying 75 percent of the assessment.
- For all state fiscal years thereafter, employers are responsible for the full amount of the assessment.

**When will employers begin being charged the assessment?**

The law’s effective date of July 1, 2012, means that the average final compensation of anyone who retires on or after that date will be reviewed to determine if the amount of that compensation triggers the employer assessment, even if the member terminates employment prior to July 1, 2012.

**Will employers be expected to remit payment for this assessment immediately after a member retires?**

No. While new retirees receive a preliminary pension amount on the last business day of the month of retirement, the final pension amount is calculated 2-4 months later, depending on when the “trailing” compensation information is submitted to NHRS by employers. NHRS will not invoice employers for the assessment until it has received and reviewed all information.

**New: I do not have a complete salary history on a member who has worked for other NHRS-covered employers. Do I need a complete salary history to generate an estimate using the online estimator?**

No, provided that you have the member’s highest three years of Earnable Compensation.

**New: I have input Earnable Compensation data for an employee on whom I expected to be charged an employer assessment into the online estimator, but the estimate remains at zero. Is it broken?**

No. The modifications to the employer assessment formula contained in House Bill 462 have had the effect of reducing assessments from what they were under the previous formula. In some cases, the assessment is reduced to zero.

**New: If there is no input for the date of retirement, how can the calculator determine which of the four phase-in periods is applicable?**

The amount employers currently see in the assessment estimator is the phased-in amount (i.e. 25%) that would be due for retirements in Fiscal 2013 (July 1, 2012 to June 30, 2013). The calculator will be updated next year to reflect the 50% phase-in that will be due for retirements in Fiscal 2014 (July 1, 2013 to June 30, 2014).

**Does this assessment have any impact on the member?**

No. RSA 100-A:16, III-a, is an assessment on employers, and employers are responsible for paying that assessment surcharge. The member’s lifetime pension benefit is not affected by the employer assessment.

However, other legislation enacted in 2011 eliminated unused sick or vacation time, severance pay, end-of-career longevity bonuses, and cash incentives paid by an employer to encourage an employee

to retire from the definition of Earnable Compensation for members not vested prior to January 1, 2012, or hired on or after July 1, 2011. Going forward, this change is expected to reduce the number of retirements potentially subject to the employer assessment. For more information on changes to Earnable Compensation, see: [http://www.nhrs.org/documents/earnable\\_comp\\_insert.pdf](http://www.nhrs.org/documents/earnable_comp_insert.pdf)

# # #

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.