

## EMPLOYER-FUNDED DISABILITY PLANS AND NHRS CONTRIBUTIONS

Compensation received by members through employer-funded salary continuance plans is considered earnable compensation to the extent attributable to employer funding, and is subject to the regular required member and employer contributions. See RSA 100-A:4,III-a, and RSA 100-A:16.

Group I (Employee and Teacher) and Group II (Police and Fire) members who are compensated by an employer-funded salary continuance plan (also referred to as a short-term or long-term disability plan), shall continue to accrue creditable service until the member returns to work, dies, retires, or is no longer compensated by the salary continuance plan. Service credit is accrued when both the member and employer contributions have been posted to the member's NHRS record.

## FREQUENT QUESTIONS AND ANSWERS

### 1. What is an employer-funded salary continuance plan?

A salary continuance plan is a short-term or long-term disability plan. The plan is considered to be "employer-funded" when the cost of the disability plan premium is funded either wholly or partially by the employer. (If the salary continuance plan premium is funded wholly by the member, contributions are neither required nor permitted.)

### 2. Are salary continuance payments considered earnable compensation, and, therefore, subject to NHRS contributions?

Yes, but only to the extent attributable to the employer funding. For example, if the member's monthly compensation through the disability plan is \$1,000 per month, and the employer pays 60% of the premium cost, with the member sharing the other 40% of the cost, the member and employer contributions would be based on \$600.00 (60% of the \$1,000.00 per month).

### 3. Are the contributions required even if the member is no longer on the employer's payroll?

Yes. If a member continues to receive compensation from an employer-funded disability plan, even after termination of employment, as long as the member has not returned to work, died, or retired, contributions are required from both the member and employer (to the extent that the compensation is attributable to employer funding of the disability plan, as explained in #2). The member continues to accrue creditable service when both employer and member contributions have been remitted.

### 4. If the member is no longer on the employer's payroll, and the member and employer premiums are waived, are member and employer contributions to NHRS still required?

Yes, provided the member has not returned to work, died, or retired and is still being compensated by the salary continuance plan.

### 5. How does the employer submit required contributions on the salary continuance amounts?

The employer must obtain the payment amounts from the disability plan provider and report them to NHRS. The employer submits salary continuance information on a monthly basis by completing the *Salary Continuance Reporting Form* (ES-01), which may be downloaded from the NHRS website at <http://www.nhrs.org/Employers/Forms.aspx>. Current contribution rates may be found at <http://www.nhrs.org/Employers/Rates.aspx>.

### 6. How is the member portion of the contributions submitted to NHRS?

If the member contributions are not submitted with the employer contributions, NHRS bills the member directly for the required member contributions. Both the employer and member contributions must be remitted to NHRS for the member to continue to accrue creditable service and to maintain eligibility for certain NHRS benefits. If the member does not remit the required contributions, service credit will not be granted; the interest rate on the member's accumulated contributions may be reduced; certain death benefits may not be payable to the member's beneficiary; and the member may become ineligible for certain types of retirement benefits.

### 7. Once the member retires and begins receiving an NHRS pension, if the employer-funded plan continues, does the requirement to remit member and employer contributions cease?

Yes. Please note, under some employers' disability plans, once a member begins to receive a pension, the member's monthly disability plan payment may be reduced. For more information on the coverage under the employer's disability plan and the impact of receiving a pension, a member should contact the employer.