



2.25% COLA Eligible Retirees **Cost-of-Living Adjustments**

A 2.25% cost-of-living adjustment (COLA) was granted for eligible retired employee, teacher, firefighter and police officer members, effective July 1, 2007.

House Bill 653 which includes the COLA for retirees was signed into law on June 29, 2007. Due to the timing of it being granted, it was not administratively possible to implement the COLA for inclusion in the July benefit payment (issued on July 31, 2007). Due to the time constraint, the COLA increase will be reflected in the August 2007 benefit payment (issued on August 31, 2007). The COLA will be retroactive in accordance with NH RSA 100-A:41-a, I. This retroactive payment will be a one-time payment.

When cost-of-living adjustments (COLAs) are granted, the amount is compounded and becomes a permanent addition to a retired member's pension. Any member (employee, teacher, firefighter or police officer) who has been retired for at least 12 months as of July 1st will receive a COLA. The COLA will be retroactive to the member's most recent retirement anniversary date. Any beneficiary of such a member is also eligible. Any changes in the amount of a pension payment due to COLAs and retroactive payments may affect the amount of any applicable federal income tax withholding.

Questions regarding COLAs should be directed to a Retiree Services representative by calling (603) 410-3500 or toll-free (877) 600-0158.

WHY RETIREES MAY EXPERIENCE A DIFFERENCE IN NET PAY...

Retirees may see a change in the amount of their July, August and September pension payments due to one or more of the following:

- 2.25% COLA, effective July 1, 2007 (see related article above).
- One-time retroactive adjustment of the COLA for members who have been retired for at least 12 months as of July 1, 2007, whose retirement anniversary date is not July 1st. Since this is a one-time retroactive adjustment, the retiree's subsequent pension payments will not include this additional adjustment. (See related article above).
- Changes in the retiree's insurance premium amount if part or all of the cost for the health insurance premium is deducted from the retiree's pension payment.
- 8.0% increase in the NHRS medical subsidy benefit for qualified retirees (see related article on page 2).

- Change in the retiree's Federal Income Tax withholding amount, if applicable.

Any one or combination of these variables may result in either an increase or a decrease in retirees' net pay. Retirees may compare earning statement information regarding the composite of their NHRS benefit payments and deduction amounts between June 30, 2007 and September 30, 2007 payments, to determine changes affecting net pay amounts.

Questions related to health insurance premium increases should be referred to the retiree's former employer or health insurance administrator, not to NHRS.

Specific questions about a retiree's pension amount or NHRS medical subsidy should be directed to an NHRS Retiree Services representative by calling (603) 410-3500 or toll-free (877) 600-0158.

Medical Subsidy Rates for 2007-2008

Pursuant to the New Hampshire Retirement System (NHRS) statutory provisions, the medical subsidy rates will increase by 8%, effective July 1, 2007. Those rates are listed below.

1 Person = \$375.56
2 Person = \$751.12
1 Person Medicare Supplement = \$236.84
2 Person Medicare Supplement = \$473.68

New Hampshire Retirement System (NHRS) law requires its participating political subdivision employers (school districts, cities, towns, counties, etc.) to allow their employees who participate in NHRS to continue their health insurance after retirement. NHRS law does not require the employer to pay for a retired NHRS member's health insurance. Different provisions apply to retired state employees (employees who retire from state government agencies and departments), whose health insurance is administered and funded by the NH Department of Administrative Services, Division of Personnel.

Separate from the employer health insurance plan, NHRS offers a medical subsidy benefit for its qualified retired members. The medical subsidy is a payment made by NHRS directly to a qualified retired member's former employer or health insurance carrier, applied toward the cost of the retired member's health coverage. The medical subsidy is payable on behalf of the qualified retired member and his/her spouse. (The medical subsidy is *not* a health insurance plan.)

To qualify, Group I political subdivision members (employees and teachers) must retire on or before July 1, 2008, on Service, Early Service, Vested Deferred or Ordinary Disability Retirement. Group I members with at least 20 years of creditable service would become eligible for the medical subsidy at age 60; Group I members with at least 30 years of creditable service would become eligible as early as age 55. Also, Group I members who retired on Accidental Disability Retirement on or before July 1, 2004, qualify for the medical subsidy. Under the current law, Group I members who retire after July 1, 2008 will not be eligible for the medical subsidy.

Group II members (firefighters and police officers) who were active or retired as of June 30, 2000, qualify for the medical subsidy when they retire under Service Retirement with a minimum of 20 years of Group II creditable service; retire on Service Retirement at age 60 or older with no minimum service required; or retire on Ordinary Disability Retirement. Also, members who became active Group II members prior to July 1, 2005, and who retire on Accidental Disability Retirement, qualify for the medical subsidy.

Retired members of political subdivisions should contact their former employer with questions specific to their health insurance plan provisions. Questions about the medical subsidy should be directed to a Retiree Services representative of NHRS by calling (603) 410-3500 or toll-free (877) 600-0158.

State employees who retired after July 1, 2004, are not eligible for the medical subsidy but may be eligible for the state health insurance. More information about state retiree health insurance may be found on the NH Division of Personnel's website at http://www.nh.gov/hr/retirement_benefits.html. State employees who retired on or prior to July 1, 2004, and have questions about the NHRS medical subsidy should contact a Retiree Services representative of NHRS by calling (603) 410-3500 or toll-free (877) 600-0158.

The New Hampshire Retirement System (NHRS) is governed by New Hampshire RSA 100-A, the rules and regulations promulgated by the NHRS Board of Trustees, 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 in this publication. This publication 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 this publication and the laws, rules and regulations which govern NHRS, the laws, rules and regulations shall prevail.

**PENSION ACT OF 2006 PROVIDES \$3,000
EXCLUSION FOR RETIRED PUBLIC SAFETY
OFFICERS**

Section 845(a) of the Pension Protection Act of 2006 added Internal Revenue Code (Code) Section 402(l), effective as of January 1, 2007. Code Section 402(l) provides an exclusion up to \$3,000 annually from gross income for Federal income tax purposes for distributions from eligible government plans which are used to pay the qualified health insurance premiums of an eligible retired public safety officer.

In order to qualify for the exclusion, the retiree must have separated from service by reason of disability or after attainment of the normal retirement age under the government plan *and*, as of the date of separation, must have been a public safety officer employed by an employer which participates in the government plan.

For purposes of Code Section 402(l), a public safety officer means an individual serving a public agency in an official capacity, with or without compensation, as a law enforcement officer, a firefighter, a chaplain, or as a member of a rescue squad or ambulance.

The favorable tax treatment under Code Section 402(l) is not available unless the eligible retired public safety officer elects to have the government plan deduct an amount from the retiree's pension or annuity to pay the qualifying health insurance premiums.

The exclusion is only available to the eligible retired public safety officer. Amounts deducted from distributions to surviving spouses or dependents to pay health insurance premiums do not qualify for the exclusion.

The New Hampshire Retirement System (NHRS) is an eligible government plan for purposes of Code Section 402(l). However per IRS instructions, the Form 1099-R issued by NHRS annually to report a retiree's retirement allowance will not contain any information as to the amounts withheld for the payment of health insurance premiums and will not indicate whether the retiree qualifies as an eligible retired public safety officer. Qualifying retirees may only claim the exclusion on their Federal income tax returns in accordance with the instructions which accompany their tax returns.

Please note that the above exclusion for eligible retired public safety officers is administered by the IRS, not NHRS. Any questions about the exclusion should be directed to the IRS or your tax advisor. Additional information is also available in Section VI of IRS Notice 2007-7 which may be accessed on the internet at <http://www.irs.gov/pub/irs-drop/n-07-07.pdf>.

DID YOU CHOOSE AN OPTION 4 – “POP-UP?”

If you selected an option 4 “pop-up” joint and survivor benefit at the time of your retirement, the New Hampshire Retirement System (NHRS) asks that you (the retiree) notify NHRS if your designated beneficiary predeceases you.

If you have chosen either option 4A, B or C, please remember that if your beneficiary passes away, the change in your benefit will only occur by providing our office with the appropriate death certificate. Your benefit will only “pop up” to the maximum allowance you would have received without choosing a survivorship option upon notification of the death of your beneficiary.

Please send notification to the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301. If you have any questions please email NHRS at info@nhrs.org, or call (603) 410-3500 or Toll free (877) 600-0158.

MEDICAL SUBSIDY AND MEDICARE

At age 65, or earlier if receiving Social Security Disability, the medical subsidy will be reduced to the Medicare Supplemental rate on the first of the month in which the member or spouse attains age 65. If a retiree or spouse is not age 65, he/she will continue on the employer's regular group health insurance plan until attaining age 65.

Retirees should contact Medicare regarding Part A and Part B, and the coverage each provides. To ensure continuation of coverage with a health insurance carrier, retirees are required to obtain Medicare B.

Retirees must contact their former employer and NHRS when becoming Medicare eligible, so that the Retiree Plan (ages 60-64) may be converted to the Medicare Supplemental Plan (ages 65+).

IMPORTANT: If a retiree's Medicare information is not provided to NHRS prior to attaining age 65, the medical subsidy will automatically terminate and the full health insurance premium will be deducted from the retiree's monthly benefit.

NOTE: Medicare is not an NHRS benefit. Members must contact Social Security directly to confirm their eligibility for Medicare.

NHRS HAS A NEW LOOK...

The New Hampshire Retirement System (NHRS, “the System”) has launched its new website, www.nhrs.org, featuring comprehensive information about the state’s public pension plan, user-friendly navigation, and on-line registration for education sessions. The new web site is one of several of the System’s major initiatives to improve its service to members and other stakeholders.

The web site’s main navigation, sub-
enable individuals to find the news, a list of public meetings, and sessions are included on the home respective web pages for more conveniently register for education confirmation from NHRS notifying processed. Website access to available to the NHRS membership

Members may now conveniently register for education sessions on-line and receive an email confirmation from NHRS notifying them that their registration was processed.

navigation and search feature will information they are seeking. Current a list of upcoming member education page, linking a web site visitor to the information. Members may now sessions on-line and receive an email them that their registration was personal account information will be in the future.

NHRS continues to implement many strategic initiatives as an effort to implement best practices, to continue to improve services to its constituents, and to meet the challenges of an increasing demand for public pension plan information.

Please visit the NHRS website at www.nhrs.org. Visitors are encouraged to provide feedback to NHRS by submitting their suggestions via email at info@nhrs.org.

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