

<b>Employer Withdrawal Policy - Revisions approved at the November 10, 2015 NHRS Board meeting.</b>
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## **I. Purpose and Intent:**

The purpose of this Policy is to identify the general principles and methods that will be applied by the Board of Trustees and actuary of the New Hampshire Retirement System ("NHRS") to implement the withdrawal liability requirement in RSA §100-A:43. This Policy shall apply to all employer withdrawals from NHRS that are effective on or after January 1, 2010. Amendments to the Policy after January 1, 2010 shall apply to withdrawals for which the Board of Trustees receives notice after the amendment date.

Nothing in this Policy is intended to waive any provision, right or requirement of applicable law, including RSA §100-A:43. The Board of Trustees reserves the right to amend this Policy at any time and for any reason. The Board of Trustees also reserves the right to deviate from this Policy in any case in which application of the Policy would, in the Board's sole discretion, produce an unreasonable result.

## **II. Policy.**

**A. Allocation Methodology.** RSA § 100-A:43 provides, in relevant part, that "an employer which has an established unfunded accrued liability at the time which it elects to withdraw from NHRS under this section, and whose officers and employees have elected to and are receiving retirement benefits or have filed for a vested deferred retirement allowance, shall pay the balance of the unfunded accrued liability on a prorated basis as determined by NHRS actuary for any such officers or employees." For purposes of implementing this provision, the following principles shall apply.

1. The total amount of the unfunded accrued liability allocable to a withdrawn employer is equal to the sum of --
  - a. the unfunded present value of pension benefits that are attributable to retained participants' service with the employer as of the most recent actuarial valuation accepted by the Board of Trustees, projected to the withdrawal date, and
  - b. the unfunded present value of post-retirement medical subsidy (if any) attributable to retained participants' service with the employer as of the most recent actuarial valuation accepted by the Board of Trustees, projected to the withdrawal date, and
2. The unfunded present value of pension benefits that are attributable to retained participants' service with the employer is equal to the product of --
  - a. the actuarial present value of accrued pension benefits that are attributable to retained participants' service with the employer<sup>1</sup> as of the most recent actuarial valuation accepted by the Board of Trustees, projected to the withdrawal date, determined using the assumptions and methods in II.B and
  - b. the unfunded percentage described in paragraph 3.

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<sup>1</sup> Service with an employer shall include all service credited to the employees for whom that employer was the last contributing employer prior to the date of withdrawal.

3. The unfunded percentage determined under this paragraph equals 1 minus a fraction that is not greater than 1 --
  - a. the numerator of which is the fair market value of pension assets for the specific NHRS fund, in total as of the most recent actuarial valuation accepted by the Board of Trustees , projected to the withdrawal date, and
  - b. the denominator of which is the present value of pension benefits of all the specific NHRS fund's participants<sup>2</sup>as of the most recent actuarial valuation accepted by the Board of Trustees, determined using the assumptions and methods in II.B, projected to the withdrawal date.
4. The unfunded present value of post-retirement medical subsidy (if any) attributable to retained participants' service with the employer is equal to the product of --
  - a. the actuarial present value of the post-retirement medical subsidy that is attributable to retained participants' service with the employer as of the most recent actuarial valuation accepted by the Board of Trustees projected to the withdrawal date, determined using the assumptions and methods in II.B and
  - b. the unfunded percentage described in paragraph (5).
5. The unfunded percentage determined under this paragraph equals 1 minus a fraction that is not greater than 1 or less than 0, as follows:
  - a. the numerator of which is the fair market value of medical subsidy assets for the specific NHRS fund in total as of the most recent valuation date accepted by the Board of Trustees projected to the withdrawal date, and
  - b. the denominator of which is the present value of post-retirement medical subsidy benefits of all the specific NHRS fund's participants<sup>2</sup> as of the most recent valuation date accepted by the Board of Trustees, determined using the assumptions and methods in II.B, projected to the withdrawal date.

**B. Assumptions and Methods.** For purposes of RSA § 100-A:43, benefit liabilities shall be the present value of accrued benefits determined using the actuarial assumptions for the regular actuarial valuations with the following modifications:

1. The discount rates shall be the select and ultimate interest rates for immediate and deferred annuities effective for the date of notice by the employer for withdrawal as published by the Pension Benefit Guaranty Corporation under 29 CFR part 4044 in effect 120 days prior to the withdrawal date.
2. There shall be no assumed pre-retirement terminations.
3. The assumed rate of retirement shall be 100% at first eligibility for service or early retirement. Future service shall be considered for determining eligibility for service or early retirement.
4. The mortality improvement assumption shall be fully generational.

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<sup>2</sup> This policy statement assumes that no active employee liabilities will be retained by NHRS. Additional adjustments may be required if any such active employee liabilities are retained in a specific case.

5. No pre-retirement death or disability benefits shall be reflected for active members as of the valuation date.
6. There shall be load of 5% to the liabilities to account for future administrative cost attributable to the retained participants.

**C. Payment of Liability.** The employer's liability shall be calculated as of the effective date of the employer's withdrawal, as determined by the Board of Trustees. Liability assessed against a withdrawn employer under RSA § 100-A:43 shall be paid to NHRS in a lump-sum or on such other commercially-reasonable terms as may be approved by the Board of Trustees in their sole discretion.

**D. Payment of Actuarial Analysis and Cost Calculation.**

1. The cost of analyzing a proposed alternative plan and calculating an employer's unfunded accrued liability (UAL) performed by the NHRS consulting actuary under this Policy shall be borne by the requesting employer. Upon receipt of an application for withdrawal from an employer, NHRS will invoice the employer for a deposit toward the actuarial cost of providing the requisite analysis and calculation, as applicable. Upon receipt of the deposit, NHRS will instruct the actuary to proceed with the analysis of whether the proposed plan provides alternative benefits that are at least equal to the benefits provided under RSA 100-A. If the actuary determines that the alternative plan does provide benefits as least equal to those under RSA 100-A, the actuary will then perform the UAL cost calculation. Once the calculation has been completed, NHRS will invoice the remaining balance due, if any, to the employer. Upon receipt of the balance due, the actuarial calculation results will be provided to the employer.
2. Alternatively, upon receipt of a deposit, an employer may request the UAL cost calculation be performed prior to providing information regarding the proposed plan. In that event, the actuary will perform the UAL cost calculation and, upon completion, NHRS will invoice the remaining balance due, if any, to the employer. Upon receipt of the balance due, the actuarial calculation results will be provided to the employer. The employer will then have the option of proceeding with the withdrawal or deciding not to proceed. Upon completion of the withdrawal process, or at such time that the employer notifies NHRS in writing that it has decided not to proceed with the withdrawal, the unused portion of the deposit, if any, will be returned to the employer.

This Policy was approved by NHRS Board of Trustees on July 13, 2010 and revised on January 14, 2014, September 9, 2014, June 9, 2015, and November 10, 2015.