

This program is available only to members whose applications were filed with NHRS by December 31, 2004

Explanation of Terms:

Accumulated contributions – The total amount a member has paid into the retirement system plus credited interest. Employer contributions are not included.

Active member – Someone who is contributing to NHRS, on Earnable Compensation, and receiving NHRS service credit.

Actuary – A person professionally trained in technical and mathematical aspects of pensions who estimates how much money must be contributed to a pension plan in order to support the benefit that will become payable in the future.

Annuity or pension – A series of monthly payments for the life of the recipient.

Average Final Compensation (AFC) – The average of a member's highest years of Earnable Compensation in NHRS-covered employment. For members vested prior to January 1, 2012, AFC is a three-year average; for all other members AFC is a five-year average. AFC may be subject to Earnable Compensation limits and other statutory provisions. AFC is one of the factors used to calculate the pension benefit.

Creditable Service – The number of months and years of service credit earned as an NHRS member. Creditable Service is one of the factors used to calculate the pension benefit.

Early Retirement – An early reduced retirement pension payable to eligible Group I members ages 50 - 59 with at least ten years of Creditable Service, and to eligible Group I members with at least 20 years of Creditable Service whose Creditable Service plus their age equals at least 70.

Earnable Compensation – To view the complete definition of Earnable Compensation please visit the NHRS website at: <https://www.nhrs.org/members/plan-details/earnable-compensation>

Group I – Employee and Teacher.

Group II – Police and Fire.

Mandatory contributions – Group I (Employee and Teacher) members must contribute 7.0% of their Earnable Compensation to NHRS; Group II (Fire) members must contribute 11.8%; Group II (Police) members must contribute 11.55%. Employers must contribute at a rate certified by the NHRS Board of Trustees.

Normal Service Retirement:

Eligible members **vested** prior to Jan. 1, 2012

- Group I and Group II members who are age 60 or older regardless of Creditable Service
- Group II members who have attained age 45 and have at least 20 years of Creditable Service

Eligible members **not vested** prior to Jan. 1, 2012

- Group I members who are age 60 or older regardless of Creditable Service
- Group II members - Minimum age/Creditable Service requirements and benefit multiplier are on a sliding scale based on years of Creditable Service as of Jan. 1, 2012, outlined in RSA 100-A:5,II(d)
See: <https://www.nhrs.org/members/benefits/service-retirement/g-ii-non-vested-1-1-12>

Vesting – Members become vested for retirement benefits upon the earlier of: (1) completion of 10 years of NHRS Creditable Service; or (2) on or after attainment of the NHRS normal retirement age while in service, regardless of years of Creditable Service.

Additional Contributions: What are They?

1. What are additional contributions?

Extra money paid to NHRS by an active member and/or by an active member's employer, separate from mandatory contributions, for the purpose of funding an additional annuity.

2. Do additional contributions buy service credit?

No, additional contributions provide an additional annuity to supplement a defined benefit pension.

3. Do all additional contributions produce the same results?

No. The provisions of RSA 100-A:16,I(c)(now repealed) allows certain members to fund an additional annuity, separate from a regular, annuity, which is funded through mandatory contributions by the member and employer. Members must choose one of the following purposes for funding an additional annuity:

Option 1 – permits active members (Group I and Group II) to make additional contributions for the purpose of funding an additional annuity, which, when combined with the member's regular annuity, will equal up to 50% of the member's AFC.

Option 2 - permits active Group I members to make additional contributions for the purpose of offsetting the actuarial reduction for Early Retirement. Also, employers may make additional contributions on behalf of Group I members for the purpose of offsetting the statutory reduction for Early Retirement.

Source and Amount of Additional Contributions

4. Can additional contributions made by the member be paid with tax-sheltered (pre-tax) dollars?

No. Additional contributions made by the member must be paid with dollars which have already been taxed, and the money cannot be rolled over from another plan.

5. May a member's employer make additional contributions on behalf of the member?

Only for the purpose of offsetting the actuarial reduction for Early Service Retirement for Group I members. Employers must complete an *Employer Request to Deposit Additional Contributions* form (CNHRS 41) and file it with NHRS.

6. How is the amount of permissible additional contributions to be made determined?

Calculations are actuarially determined and based on the member's base rate of pay, age, years of Creditable Service, projected retirement date, assumed interest rate applicable to accumulated contributions and other information available *at the time of the member's request to deposit additional contributions*. NHRS will notify the member of the calculation results.

7. Will the amount of additional contributions need to be adjusted if the member experiences a change in salary?

Yes. The actual benefit received for additional contributions may not meet the member's expectations if, at the time of retirement, actual compensation levels and interest rates, age, or retirement date differ from the assumptions used in the additional contributions actuarial computations. NHRS will not automatically recalculate the amount of additional contributions needed to fund a particular benefit; members must contact NHRS for an updated calculation.

8. Will additional contributions earn interest at NHRS?

Yes. Additional contributions are credited with interest at the same rate applied to mandatory member contributions. Per statute, the annual member interest rate shall be 2 percentage points less than either the assumed rate of investment return or the actual rate of return in the previous fiscal year, whichever is lower. Any change to the interest rate could affect the funding of a benefit through additional contributions.

Receiving the Funds

9. Does the member have to receive the additional contributions as an annuity?

No. At retirement, the member may choose to receive the additional contributions as an additional annuity, or the member may withdraw the additional contributions plus credited interest in cash, in lieu of an additional monthly annuity.

10. May members select a different benefit option for their additional annuity than their regular pension?

Yes, members can elect to choose a different benefit option for their additional annuity than they chose for their regular pension. The designated beneficiary(ies) for the additional annuity and the pension benefit must be the same.

11. Will the additional annuity be payable for the retired member's lifetime?

Yes.

12. What happens to the additional annuity after the retired member's death?

If the retired member had elected a survivorship option, the designated survivorship beneficiary(ies) would receive a lifetime additional annuity. If the retired member had not elected a survivorship option, the designated beneficiary(ies) would receive any balance of the additional contributions not yet distributed to the retired member through the annuity.

13. May a member withdraw additional contributions and earned interest prior to retirement?

No. Members may not withdraw additional contributions or interest earnings, or collect an additional annuity, prior to termination of employment.

14. If a member terminates employment, can the member withdraw his/her additional contributions but leave regular contributions in NHRS?

No. Both the regular and additional contributions must be withdrawn, if the member chooses to take a refund. Members may leave their contributions with the NHRS indefinitely. The interest rate will be calculated at 2 percentage points less than either the assumed rate of return or the actual rate of return, whichever is lower. A member will be deemed inactive after 180 days of absence from service.

Taxation and Limitations

15. Will the member have to pay Federal Income taxes on additional contributions and interest earnings?

After tax member additional contributions will not be taxed again. However, all employer-paid additional contributions and interest earnings are taxable income to the member when received from NHRS whether, as a lump sum distribution or an additional annuity.

16. Does NHRS law (RSA 100-A) limit the amount of additional contributions that a member can make?

Yes.

17. What if a member's additional contributions exceed the limits described in question #15?

Excess payments will be refunded to the member.

18. Does the Internal Revenue Code (IRC) impose certain limits on allowable additional contributions?

Yes. The IRC limitations are very complex and may limit the member's ability to meet retirement objectives through additional contributions. NHRS will monitor those limits as they relate to NHRS additional contributions.

How to Make Additional Contributions...

19. What if the actuarial calculation indicates an amount greater than what the member can afford to contribute?

A member may choose to contribute a lesser amount or none at all, but never a greater amount.

20. How does a member who is eligible to make additional contributions request a new calculation if any of the assumptions used in the original actuarial computations have changed?

In such cases the member must complete and file with NHRS a *Member Request To Update Voluntary Additional Contributions Calculation* form (CNHRS 40R). The NHRS will mail the member a *Statement of Additional Contributions*, which shows the revised maximum annual amount the member may contribute in that fiscal year.

21. May a member remit additional contributions to NHRS through payroll deductions?

Yes, but only if the employer is willing to do so. Members must provide employers with a copy of the *Statement of Additional Contributions*.

22. Does a member need to file any forms with NHRS when additional contributions are remitted?

Members using payroll deduction do not need to file any forms. Members whose additional contributions are submitted by personal check will need to include a *Voluntary Additional Contribution Form (Acct-01)* with each payment to NHRS.

23. What if a member later decides to stop making additional contributions through payroll deduction?

If contributions are remitted through payroll deduction, the member must notify the employer of the change, so that the additional contribution deductions will cease.

24. Will NHRS send reminder notices to members and/or employers?

No.

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603-410-3500 or toll-free: 877-600-0158 ~ Website: www.nhrs.org

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