



NHRS Frequently Asked Questions Concerning House Bill 616
(1.5% cost-of-living adjustment for eligible retirees and beneficiaries)

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Below are answers to some frequently asked questions concerning House Bill 616 (HB 616), which grants a cost-of-living adjustment (COLA) to eligible retirees and beneficiaries receiving a monthly retirement allowance (pension benefit) from the New Hampshire Retirement System (NHRS, the retirement system).

NHRS recognizes that there may be specific questions not addressed in this FAQ. Retirees or beneficiaries with additional questions may contact the retirement system at info@nhrs.org or (603) 410-3671.

What is a COLA?

A COLA – which is referred to in state law (RSA 100-A) as a supplemental allowance – is a permanent increase to a pension benefit. (Example: A 1.5%, one-time COLA on a \$20,000 annual pension benefit permanently increases the annual benefit to \$20,300 for the lifetime of the benefit recipient.)

Who is eligible to receive the COLA granted in HB 616?

HB 616 grants a one-time, 1.5% COLA on the first \$50,000 of an annual pension benefit to:

- retirees who retired on or before July 1, 2014, or;
any beneficiary of such member who is receiving a survivor pension benefit.

When will the COLA take effect?

The COLA is effective on the first anniversary date of the member’s retirement occurring after July 1, 2020. Note: The effective date of retirement is the first day of a month, not the date of termination from full-time employment.

Table with 2 columns: 'If your retirement date was on ...' and 'The COLA will be added to your monthly pension benefit in ...'. Rows list retirement dates from August 2013 to July 2014 and corresponding COLA effective dates from August 2020 to July 2021.

**What date will NHRS use to base the 1.5% increase on?**

Because the COLA is payable on the retired member's first anniversary date of retirement, rather than on a single effective date, NHRS will apply the 1.5% increase to the gross pension benefit amount in the month immediately prior to the month the COLA is first paid, on an annualized basis. The gross amount is the benefit payment before any deductions are taken out.

Example: A retiree or beneficiary who is eligible to receive the COLA in September 2020 and received a gross monthly pension benefit amount of \$1,000 in August, or \$12,000 annually, would see an increase of 1.5% in his or her September benefit ( $\$1,000 \times 1.5\% = \$1,015$ , which equals \$12,180 annually).

**Will there be another 1.5% increase to the pension benefit the following year?**

No. While the COLA is a permanent addition to the base pension benefit, it is a one-time increase. Additional legislation would need to be enacted to provide additional cost-of-living adjustments.

**When the COLA takes effect, will it be added to the monthly pension benefit payment?**

Yes. The COLA will permanently increase the monthly benefit payment; it will not be paid as a separate check or deposit.

**Will any previous COLA increases be included when calculating the 1.5% increase?**

Yes. Previous COLAs granted before 2010 were also permanent additions to the base pension benefit and will be included when calculating the 1.5% increase.

**Is the one-time \$500 payment issued to eligible retirees in 2018 included when calculating the COLA?**

No. In 2018, House Bill 1756 granted a one-time, \$500 payment to approximately 7,900 retirees who met the eligibility criteria in the bill. This payment was not a permanent addition to the base pension benefit.

**Will taxes be withheld from the COLA?**

If the member contributions submitted to NHRS were made on a pre-tax basis, the COLA increase is considered taxable income. Note: Accidental disability and accidental death benefits are generally not taxed.

**If an eligible retiree or beneficiary receives an annual pension benefit greater than \$50,000, will he or she receive the COLA?**

Yes. All retirees who retired on or before 7/1/14, and any beneficiary of such member who is receiving a survivor pension benefit, will receive an increase of 1.5% on the first \$50,000 of the pension benefit. This means someone with a benefit of \$50,000 or more will receive a maximum annual increase of \$750.

**How will NHRS determine the annual retirement allowance for the purposes of applying the \$50,000 ceiling on the COLA contained in HB 616?**

Because the COLA is payable on the retired member's first anniversary date of retirement, rather than on a single effective date, NHRS will take the gross pension benefit amount in the month immediately prior to the month the COLA is payable and multiply it by 12 to determine the annual benefit for the purposes of HB 616.

**By law, the pension benefit for Group I retirees is recalculated at age 65. Will the COLA be based on the pre-65 pension benefit or the post-65 pension benefit?**

The COLA is based on the actual gross pension benefit amount in the month immediately prior to the month the COLA is payable. In other words, if the Group I retiree has already attained age 65 prior to the effective date of the COLA, the increase will be based on the post-65 amount.

**If a retired Group I member is younger than 65 when the COLA takes effect, will the COLA amount be reduced as part of the age 65 Group I benefit recalculation?**

No. The age 65 Group I benefit recalculation is determined based on the maximum benefit formula calculated at retirement.

**Does having a “split benefit” with service in Group I and Group II impact the COLA?**

No. The COLA is applicable at the same percentage to the first \$50,000 of combined Group I and Group II pension benefits.

**Will eligible spouses of deceased Group II members who are receiving a Group II Automatic Spousal Allowance receive the COLA?**

Yes.

**Will eligible spouses of deceased Group II members who are receiving a Group II Automatic Spousal Allowance and a survivorship pension benefit receive the COLA on both benefits?**

Yes. However, if the benefits are paid on behalf of the same deceased member, the benefits are combined and the COLA applies to the first \$50,000 of the total pension benefit amount received by the spouse.

**Does the COLA apply to member-funded additional annuities set up under the since-repealed “additional contributions” program?**

No. HB 616 refers only to the “retirement allowance.”

**Does the COLA apply to the Medical Subsidy benefit?**

No. The Medical Subsidy is a separate benefit for eligible retirees and beneficiaries and is not part of the pension benefit. Medical Subsidy amounts were frozen by legislation in 2008.

**How is the COLA treated for a retiree paying a portion of his or her monthly pension benefit to an ex-spouse due to a court-ordered divorce decree?**

The apportionment of the COLA, if any, will be based on the specific language of the qualified domestic relations order (QDRO), settlement agreement, or divorce decree.

**Does someone who retired on July 1, 2014 get an allowance?**

Yes. The bill states that the retiree must be retired “on or before.” A member’s effective date of retirement is always the first day of a month. A member who retired on July 1, 2014, qualifies for the COLA.

**What happens if a retiree passes away before the COLA takes effect?**

If the retiree chose to leave a survivorship pension benefit to a beneficiary, the COLA will be applied to the amount of the survivorship benefit.

**Is a member who retired prior to July 1, 2014, subsequently returned to service as an active member, and then re-retired, eligible for the COLA?**

No. The most recent retirement date controls eligibility.

**Previous COLAs were issued to eligible retirees in July. Why is this COLA being phased in over a 12-month period?**

HB 616 specifically states that the COLA begins on the retired member's first anniversary date of retirement occurring after July 1, 2020. Legislation granting previous COLAs from 2008-10 specified that the increases were to begin in July, pro-rated to the effective date of retirement.

**Why will someone who retired on July 1 not begin to receive the COLA until 2021?**

HB 616 specifically states that the COLA begins on the retired member's first anniversary date of retirement occurring after July 1, 2020.

**What role does NHRS have in granting COLAs?**

NHRS is the "plan administrator." The decisions whether or not to grant a COLA – and how to pay for it – are made by the "plan sponsor," which is the NH Legislature. For more information on the distinction between the sponsor and the administrator, see: <https://www.nhrs.org/docs/default-source/now-you-know/now-you-know-plan-administrator.pdf>

**How is the COLA being funded?**

The cost of the COLA will be amortized over 20 years through an increase in employer contribution rates that will begin in fiscal year 2022.

**What is the full text of House Bill 616?**

*AN ACT relative to a cost of living adjustment for retirees in the state retirement system.*

*Be it Enacted by the Senate and House of Representatives in General Court convened:*

*1 New Section; Retirement System; Cost of Living Adjustment. Amend RSA 100-A by inserting after section 41-d the following new section:*

*100-A:41-e Cost of Living Adjustment; Supplemental Allowance.*

- I. Any retired member of the New Hampshire retirement system or any of its predecessor systems, who has been retired for at least 60 months prior to or on July 1, 2019, or any beneficiary of such member who is receiving an allowance, shall be entitled to receive a cost of living adjustment (COLA) as a supplemental allowance, on the retired member's first anniversary date occurring after July 1, 2020. The amount of such supplemental allowance shall be 1-1/2 percent of a member's or beneficiary's annual retirement allowance which is \$50,000 or less, or otherwise 1-1/2 percent of the first \$50,000 of a retired member's or beneficiary's allowance.*
- II. The total actuarial cost of the supplemental allowance under paragraph I, as determined by the actuary and certified by the board of trustees of the retirement system, shall be terminally funded from the state annuity accumulation fund.*

*III. The supplemental allowance shall become a permanent addition to the beneficiary's base retirement allowance and shall be included in the monthly annuity paid to the retired member, or to the member's beneficiary if the member is deceased and the beneficiary is receiving an allowance under RSA 100-A:8, 100-A:9, 100-A:12, 100-A:13, or similar provisions of predecessor systems.*

*2 Repeal. RSA 100-A:41-a through RSA 100-A:41-d, relative to prior provisions for supplemental allowances, are repealed.*

*3 Effective Date. This act shall take effect July 1, 2019.*

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