



# NHRS

New Hampshire Retirement System

## FAQ: Employer Contribution Rates for FY 28-29

Here are answers to some common questions that participating employers may have concerning the New Hampshire Retirement System for fiscal years (FY) 2028 and 2029.

The FY 2028-2029 rates for the State of New Hampshire and for political subdivision employers, which were certified by the NHRS Board of Trustees on April 14, 2026, are available at:

<https://www.nhrs.org/employers/employer-contribution-rates>

### **Why are the employer rates changing?**

Employer contribution rates are set every two years pursuant to RSA 100-A:16, III.

Employer contribution rates for the four membership classifications – Employee, Teacher, Police, and Fire – will decrease from the current rates as a percentage of covered payroll. The decrease is largely the result of strong investment performance over the five-year period ending June 30, 2025, and actual member experience from July 1, 2023, through June 30, 2025. Because the member payroll increases annually, the total dollar amount paid to NHRS by employers is expected to increase slightly.

### **How are employer contribution rates determined?**

Employer contribution rates are developed as part of a biennial actuarial valuation, which is required by statute. The NH Constitution (Part, I, Article 36-a) requires that the rates be based on “sound actuarial valuation and practice” as required to maintain the retirement system trust fund at the level needed to meet its future obligations.

Gabriel, Roeder, Smith & Company (GRS), the retirement system’s consulting actuary, determines the cost of future benefits, the unfunded actuarial accrued liability (UAAL), and employer contribution rates based on assumptions about many future events, such as the age when members will retire, their rate of salary growth, how long they will live after retirement, and how much the plan’s investments will earn. These assumptions are based on detailed statistical models and adhere to national Actuarial Standards of Practice. However, they are not facts; no one can predict future events. When the actual experience doesn’t match the assumptions, there can be an actuarial gain or loss. Put simply, gains reduce employer contribution rates, losses increase employer contribution rates.

### **Why are there different rates for each of the member classifications?**

Employer contribution rates for Employee, Teacher, Police, and Fire members are determined separately based on benefit structure, demographics, and other information unique to each member classification, so rates vary among the different groups.

Group II rates are higher because the retirement age for Police and Fire members is lower and the Group II benefit formula produces a larger pension than the Group I benefit formula. (Note: Group II members are not eligible for Social Security benefits for their NHRS-covered employment; neither they nor their employers pay Social Security taxes.)

In addition to the pension costs, the employer rates also contain a Medical Subsidy rate that ranges from 0.12% to 1.50% of covered payroll, depending on the member classification. (See below for more information on the Medical Subsidy.)

## **How does the unfunded pension liability affect employer contribution rates?**

There are three components to employer contribution rates: the normal cost, unfunded actuarial accrued liability (UAAL), and the medical subsidy.

The normal cost reflects the estimated actuarial cost of pension benefits as those benefits are earned each year by members. This cost is shared by the employer and the member, with members paying the majority of the normal cost. The normal cost is expected to decline over time due to 2011 legislative changes that reduced benefit provisions for new members hired on or after July 1, 2011, as well as any member hired prior to that date but not vested prior to January 1, 2012. Future increases to benefit formulas would slow the decline of the normal cost.

The UAAL is the estimated value of NHRS benefits that have been earned in the past but have not yet been funded. The unfunded liability is borne solely by the employers. Overall, the unfunded liability accounts for more than 75% of the total employer contribution rate.

There have been several contributing factors to the current NHRS unfunded liability:

- A flawed statutory funding methodology in effect from 1991-2007 that led to the long-term under-calculation of employer contributions;
- The diversion of approximately \$900 million in investment earnings from the pension trust into a “Special Account” over roughly the same period. (The Special Account, which was created by legislation in the 1980s and repealed in 2012, funded other post-retirement benefits such as cost-of-living adjustments);
- Global economic dips (the 2001-2002 dot-com bubble and the Great Financial Crisis of 2008-2009) negatively impacted investment performance; and
- Adoption of more conservative actuarial assumptions in 2011, 2016, and 2020 by the NHRS Board of Trustees, based on the results of actuarial experience studies required by statute and the Board’s Actuarial Funding Policy.

Despite the unfunded liability, retirement benefits for NHRS members are secure. Changes made more than a decade ago have put NHRS on a solid path to financial health, however, the unfunded liability took many years to create, and it will take many years to eliminate.

In 2007, the Legislature created a closed, 30-year amortization period to pay off the UAAL, which commenced on July 1, 2009. In 2018, legislation was enacted to recognize actuarial gains and losses incurred after July 1, 2017, over closed periods of no more than 20 years. This is referred to as “layered amortization.” The approximate \$5 billion UAAL as of June 30, 2017 – referred to as the “initial UAAL” – continues to be paid down through 2039.

Actuarial gains and losses since July 1, 2017, are being recognized in layers of no more than 20 years, which will temper any potential employer contribution rate volatility as 2039 approaches, and also provide a sound basis for managing future gains and losses.

## **Why is the Medical Subsidy included in the employer rate?**

The Medical Subsidy is a statutorily required payment made by NHRS directly to an eligible retiree’s former employer or the employer’s health insurance administrator that goes toward the cost of health insurance for a qualified retired member, spouse, or dependent child(ren). The Medical Subsidy is not a health insurance plan.

Medical Subsidy benefits are funded from a 401(h) trust for political subdivision Employees, State Employees, Teachers, and Police and Fire members. Because these benefits are pay-as-you-go, employers are required by statute to pay the amounts necessary to maintain the benefits provided for each of the above groups.

Because this benefit is a closed plan, except with respect to certain Group II members, the Medical Subsidy rates are expected to continue to decrease in future years.

### **Can employers expect contribution rates to continue to go down?**

No. There is no expectation that rates will continue to fall. If all actuarial assumptions are met, employer contribution rates are expected to remain at current levels through 2039. However, as noted in a previous answer, no one can predict future events with certainty and when the actual experience doesn't match the assumptions, there can be an actuarial gain or loss that impacts contribution rates. Future employer rates could also be influenced by adjustments to actuarial assumptions, which are reviewed every four years, or by legislative changes to the benefit structure.

### **Does the NHRS Board of Trustees have any leeway when certifying employer rates?**

There is very limited discretion in setting the employer rates. The state Constitution and state law require that the NHRS Board of Trustees certify actuarially sound employer contribution rates necessary to keep the retirement system on track to meet its long-term obligations and that employers pay those rates in full.

The relevant section of Part I, Article 36-a of the Constitution reads, in part:

*“The employer contributions certified as payable to the New Hampshire retirement system ... as shall be determined by sound actuarial valuation and practice ... shall be appropriated each fiscal year to the same extent as is certified.”*

In addition to the constitutional mandate, Trustees are also bound by their fiduciary duty to the pension plan, which is the highest standard of conduct under the law. When NHRS fiduciaries make decisions about benefit administration, investments, or any other subject that falls within their statutory responsibilities, they are required to act solely in the best interest of the collective membership, not on behalf of individual members or member groups, employers, lawmakers, taxpayers, or anyone else who might have an interest in the outcome of the decision.

Even if permitted by law, reducing employer contribution rates without consideration of the impact on NHRS' long-term ability to fund benefits would run counter to the Board's fiduciary duty, and would result in creating additional unfunded liabilities to the detriment of the plan and its participants.

### **Does the State of New Hampshire pay any portion of the political subdivision employer rates?**

The State no longer subsidizes local employer contributions on an ongoing basis.

When RSA 100-A:16 was enacted in 1967, the State was responsible for 40% of the employer contribution for Teacher members employed by political subdivisions. The statute was amended in 1977, requiring the State to pay 35% of the employer contributions for Teacher, Police, and Fire members employed by political subdivisions.

RSA 100-A:16 was amended in 2009 to reduce the State's share to 30% in FY 2010 and 25% in FY 2011. The 2009 amendment also restored the State contribution to 35% in FY 2012. However, the statute was amended again in 2011 to eliminate the State's percentage share of employer contributions. The 2011 amendment also included a one-time transitional appropriation of \$3.5 million in an effort to offset political subdivision employer contributions in FY 2012.

In 2012, the New Hampshire Supreme Court upheld statutory changes to RSA 100-A:16 enacted in 2009 that reduced the percentage the State of New Hampshire paid toward employer retirement contributions for Teacher, Police, and Fire members employed by political subdivisions. The Supreme Court decision did not change the total amount of employer contributions that must be paid to the retirement system – it only upheld the State's authority to reduce, and eventually eliminate, its contribution toward employer retirement contributions for Teacher, Police, and Fire members employed by political subdivisions. The net result of the decision was to shift pension costs from the State to political subdivisions.

In 2022, legislation provided one-time funding for employers in FY 2023. House Bill 1221 required the State of New Hampshire to reimburse 7.5 % of local employer contributions to NHRS made in FY 2022 for Group I Teachers and Group II Police and Fire members.

Beginning with the FY 2028-2029 rate cycle, House Bill 282 requires the State to pay the employer contribution rate increases attributable to benefit enhancements for Group II, Tier B Police and Fire members employed by political subdivisions. The additional contribution amounts are 2.27% of payroll for Police and 1.65% for Fire. The State pays these amounts directly on behalf of political subdivision employers, so these amounts are not included in the rates charged to political subdivision Police and Fire employers.

### **How does House Bill 282 affect employer contribution rates?**

House Bill 282 (HB 282), enacted in 2025, modified the retirement benefit provisions for Group II, Tier B members – Police and Fire employees in service on or before July 1, 2011, but not vested by January 1, 2012 – restoring certain benefits that had been reduced by changes enacted in 2011.

The State has appropriated \$14.5 million for FY 2026 and will appropriate \$27.5 million per year through FY 2034 to NHRS to offset the increase in actuarial liabilities resulting from the benefit changes. HB 282 requires the State to pay the employer contribution rate increases attributable to these enhancements for political subdivision Police and Fire employers. Those additional contribution rates attributable to the adoption of HB 282 are 2.27% of payroll for Police and 1.65% for Fire.

As a result, the FY 2028-2029 employer contribution rates published for political subdivision employers already reflect the State paying those additional amounts. Political subdivision Police and Fire employers are not responsible for the HB 282-attributable portion of the rate.

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