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NHRS Frequently Asked Questions Concerning Revision to Group I Benefit Recalculation

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Below are answers to some frequently asked questions concerning Sections 459-461 of House Bill 2 (HB 2, Chapter 79, Laws of 2023), which modifies the effective date of the statutory pension recalculation for Group I (Employee and Teacher) members of the New Hampshire Retirement System (NHRS, the retirement system).

This change in state law took effect July 1, 2023.

NHRS recognizes that there may be questions not addressed in this FAQ. Members with additional questions may contact the retirement system at info@nhrs.org or (603) 410-3500, Press 3.

Who does the change in state law contained in HB 2 affect?

All Group I members who retire **on or after July 1, 2023**, will experience a recalculation in their Group I pension amount beginning the month following attainment of their full Social Security retirement age.

Previously, this recalculation was effective the month following attainment of age 65. The recalculation following attainment of age 65 **remains in effect** for Group I members who retired **prior to July 1, 2023**.

Note: This change in state law does not have any impact on when a retiree may choose to begin receiving Social Security benefits.

How does the recalculation work?

RSA 100-A, the law governing the retirement system, contains two formulas for calculating a Group I retirement benefit:

Group I pension formula prior to attainment of full Social Security retirement age:

*Average Final Compensation divided by 60 multiplied by Creditable Service
= approximate annual pension amount*

Group I pension formula following attainment of full Social Security retirement age:

*Average Final Compensation divided by 66 multiplied by Creditable Service
= approximate annual pension amount*

The difference between these two formulas is that the divisor changes from 1/60 to 1/66, which reduces the benefit by approximately 10 percent.

EXAMPLE OF A GROUP I SERVICE RETIREMENT BENEFIT CALCULATION

A Group I member retires on or after July 1, 2023, with 30 years of Creditable Service and Average Final Compensation of \$60,000.

Pension calculation prior to attainment of full Social Security retirement age:

$\$60,000 \text{ divided by } 60 = \$1,000 \text{ multiplied by } 30 \text{ years} = \$30,000$

Pension calculation following attainment of full Social Security retirement age:

$\$60,000 \text{ divided by } 66 = \$909.09 \text{ multiplied by } 30 \text{ years} = \$27,273$

Note: The calculations shown above are based on the maximum retirement allowance payable and do not include any applicable reduction under an Optional Allowance, such as a survivorship benefit.

What is the “full” Social Security retirement age?

Full retirement age for Social Security, also called "normal retirement age," was 65 for many years. In 1983, Congress passed a law to gradually raise the age because people are living longer and are generally healthier in older age. The law raised the full retirement age beginning with people born in 1938 or later. The retirement age gradually increases by two months for every birth year, until it reaches 67 for people born in 1960 and later.

| Year of birth | Full retirement age |
|----------------------|----------------------------|
| 1943-1954 | 66 |
| 1955 | 66 and 2 months |
| 1956 | 66 and 4 months |
| 1957 | 66 and 6 months |
| 1958 | 66 and 8 months |
| 1959 | 66 and 10 months |
| 1960 and later | 67 |

Note: People born on January 1 of any year, refer to the previous year. (*Source: SSA.gov*)

Does this change affect members who retired prior to July 1, 2023?

No. The law is prospective beginning July 1, 2023, which means it only applies to Group I members who are not yet retired prior to that date. NHRS does not control the application of the law.

Does this change apply to all Group I retirement types (i.e. Service, Early Service, Vested Deferred, and Disability retirement)?

Yes.

How does this change affect Group I members who are working beyond their full Social Security age?

A member who retires beyond the full Social Security retirement age will have the benefit calculated with the 1/66 divisor.

Does this change to state law impact the amount a retiree will receive from Social Security?

No.

Does this change to state law impact when a retiree can begin receiving Social Security benefits?

No. According to the Social Security administration, “You can start receiving your Social Security retirement benefits as early as age 62. However, you are entitled to full benefits when you reach your full retirement age. If you delay taking your benefits from your full retirement age up to age 70, your benefit amount will increase.” For more information, visit www.ssa.gov.

Does this change affect Group II members or retirees?

No.

Does this change affect retired Group I members who return to work?

Pension benefits for Group I retirees who return to full-time work with an NHRS participating employer are restored to active member status. The pension benefit is recalculated when the member re-retires and is based on the member’s age at the time of re-retirement.

Why does the recalculation exist in the first place?

Prior to 1988, state law linked Group I pension benefits to federal Social Security benefits. Because of this linkage, Group I pension recipients could experience a reduction of their NHRS benefit of anywhere from 10 percent to as much as 50 percent when they turned 65. This recalculation of the pension benefit was based on a variety of factors, including a member’s service time, age at retirement, and how much, if any, of his or her Earnable Compensation exceeded the maximum amount of taxable earnings for Social Security benefits. This provision did not impact Group II (Police and Fire) members, who do not participate in Social Security.

In 1988, the Legislature de-linked Group I pension benefits from Social Security but left in the law a pension recalculation provision that reduced Group I pension benefits by approximately 10 percent at age 65.

This is the section of the law that was changed in 2023.

Why was the law changed this year?

Several unsuccessful legislative attempts to eliminate or revise the law have been introduced over the past several years. This change was originally introduced this year as Senate Bill 57, which was adopted by the Senate and then tabled. The contents of SB 57 were added to HB 2 – the budget trailer bill – by the Senate and agreed to by the House of Representatives.

The 2017 Decennial Retirement Commission had a specific statutory charge to, “Study the feasibility and cost of eliminating the reduction in a retiree’s retirement allowance upon reaching the age of 65.” The commission recommended to defer the reduction in benefits for Group I active employees from age 65 to age 67 for active members. According to the commission report, “There was sentiment to remove the reduction in its entirety, but the reality of budget constraints makes that option unrealistic at this time.”

What is the full text of House Bill 2, sections 459-461?

459 Retirement System; Service Retirement Benefits; Reduction Age. Amend RSA 100-A:5, I(b) to read as follows:

(b) Upon service retirement, an employee member or teacher member of group I shall receive a service retirement allowance which shall consist of a member annuity which shall be the actuarial equivalent of the member's accumulated contributions at the time of retirement, and a state annuity. Prior to the member's attainment of the member's full retirement age for Social Security, the state annuity, together with the member annuity, shall be equal to 1/60 of the member's average final compensation multiplied by the number of years of creditable service. After attainment of the member's full retirement age for Social Security, the state annuity, together with the member annuity,

shall be equal to 1/66 of the member's average final compensation multiplied by the number of years of creditable service. Provided, however, that a group I member who commenced service on or after July 1, 2011 shall not receive a service retirement allowance until attaining the age of 65; but may receive a reduced allowance after age 60 if the member has at least 30 years of creditable service where the allowance shall be reduced, for each month by which the date on which benefits commence precedes the month after which the member attains 65 years of age, by 1/4 of one percent.

460 Retirement System; Ordinary Disability Retirement Benefits; Reduction Age. Amend RSA 100-A:6, I(b)(1)(A) and (B) to read as follows:

(A) Prior to the member's attainment of the member's full retirement age for Social Security, the state annuity, together with the member annuity, shall be equal to 1/60 of the member's average final compensation at the time of their ordinary disability retirement multiplied by the number of years of creditable service at the time of their ordinary disability retirement;

(B) After attainment of the member's full retirement age for Social Security, the state annuity, together with the member annuity, shall be equal to 1/66 of the member's average final compensation at the time of their ordinary disability retirement multiplied by the number of years of creditable service at the time of their ordinary disability retirement;

461 Retirement System; Accidental Disability Retirement Benefits; Reduction Age. Amend RSA 100-A:6, I(d)(1)(A) and (B) to read as follows:

(A) Prior to the member's attainment of the member's full retirement age for Social Security, the state annuity, together with the member annuity, shall be equal to 1/60 of the member's average final compensation at the time of their accidental disability retirement multiplied by the number of years of creditable service at the time of their accidental disability retirement;

(B) After attainment of the member's full retirement age for Social Security, the state annuity, together with the member annuity, shall be equal to 1/66 of the member's average final compensation at the time of their accidental disability retirement multiplied by the number of years of creditable service at the time of their accidental disability retirement;

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