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## NHRS Frequently Asked Questions Concerning Group II, Tier B Benefit Multiplier

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Below are answers to frequently asked questions concerning House Bill 1647 (HB 1647), which increases the benefit multiplier for Group II (Police and Fire), Tier B members who retire under Service or Ordinary Disability Retirement.

Tier B consists of members hired on or before July 1, 2011, but not vested prior to January 1, 2012. HB 1647 took effect June 30, 2024.

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](mailto:info@nhrs.org) or (603) 410-3500.

### **What is a “benefit multiplier”?**

In a pension plan, a benefit multiplier – referred to as the “annuity multiplier” in NHRS statutes – is a percentage that is used to determine a retiree’s benefit amount as part of a statutory formula that also includes years of service and average final compensation (AFC).

The NHRS benefit formula is:

$$AFC \times multiplier \times years\ of\ service = benefit\ (see\ examples\ below)$$

### **What does HB 1647 change?**

HB 1647 changes the multiplier for Group II, Tier B members to 2.5% for all years after the first 15 years of Group II service, provided the member retires under Service or Ordinary Disability Retirement on or after July 1, 2024.

The first 15 years of Group II service continue to accrue a multiplier between 2.4% and 2.1%, depending on how many years of creditable service the member had on January 1, 2012, as outlined in the transition table below.

### **GROUP II TIER B TRANSITION TABLE**

| <b>Creditable Service as of 1/1/12</b> | <b>Min. Age</b> | <b>Min. Service</b> | <b>Benefit Multiplier</b> |
|--|-----------------|---------------------|---------------------------|
| At least 8 but less than 10 years      | 46              | 21                  | 2.4% *                    |
| At least 6 but less than 8 years       | 47              | 22                  | 2.3% *                    |
| At least 4 but less than 6 years       | 48              | 23                  | 2.2% *                    |
| Less than 4 years                      | 49              | 24                  | 2.1% *                    |

\* The benefit multiplier increases to 2.5% for all years after the first 15 years of Group II service for members who retire under Service or Ordinary Disability retirement on or after July 1, 2024.

### **Who qualifies for the multiplier increase?**

- Members in Group II, Tier B who meet the minimum age or minimum age/service requirements and retire under Service Retirement.
- Members in Group II, Tier B who retire under Ordinary (non-job-related) Disability retirement.
- Members in Group II, Tier B, who are in service and have attained 60 years of age regardless of years of service

**Does the multiplier change apply to members who leave active service prior to attaining eligibility for Service Retirement?**

No. The law specifies the multiplier applies specifically to Service and Ordinary Disability retirement only.

**Does the multiplier change apply to members who retire under Accidental (job-related) Disability?**

No. The benefit multiplier is not used when determining an Accidental (job-related) Disability retirement benefit. Members eligible for this benefit receive a specific percentage of their AFC defined in statute.

**How does this affect split benefits?**

Split benefits refer to retirement benefits for members with service in both Group I (Employee and Teacher) and Group II (Police and Fire). Because separate benefits are calculated for service in each group, only Group II service is counted for the purposes of determining years of service toward the increased multiplier.

For example, a Tier B member who retires with 8 years of service in Group I and 17 years of service in Group II would have the 2.5% multiplier applied to two years of Group II service.

**Does additional service credit purchased by or granted to the member qualify for the 2.5% multiplier?**

Yes, additional service credit purchased or granted qualifies toward the 2.5% multiplier.

Note: In cases where a member has both Group I and Group II service, the purchase is applied to the member's group when the service was purchased.

**Can I get a benefit estimate with the new multiplier?**

HB 1647 requires extensive programming changes to the NHRS pension administration system. The retirement system is unable to provide benefit estimates based on the new multiplier to Group II, Tier B members at this time.

**How much more will my benefit be?**

It depends on when you began service in Group II and what your multiplier is in your first 15 years, as well as how many years of service you ultimately retire with.

**Example 1:** A Group II Tier B member with at least 6 but less than 8 years of service on January 1, 2012, has a benefit multiplier of 2.3% per year. If this member ultimately retires under Service or Ordinary Disability retirement with 22 years of service, the first 15 years of service accrue a multiplier of 2.3% and the subsequent 7 years of service accrue a multiplier of 2.5%.

15 years at 2.3% = 34.5% of average final compensation (AFC)

7 years at 2.5% = 17.5% of average final compensation (AFC)

Total = 52% of AFC

| AFC under previous law | AFC under current law |
|------------------------|-----------------------|
| 50.6%                  | 52%                   |

**Example 2:** A Group II Tier B member with at least 8 but less than 10 years of service on January 1, 2012, has a benefit multiplier of 2.4% per year. If this member ultimately retires under Service or Ordinary Disability retirement with 27 years of service, the first 15 years of service accrue a multiplier of 2.4% and the subsequent 12 years of service accrue a multiplier of 2.5%.

15 years at 2.4% = 36% of average final compensation (AFC)

12 years at 2.5% = 30% of average final compensation (AFC)

Total = 66% of AFC

| AFC under previous law | AFC under current law |
|------------------------|-----------------------|
| 64.8%                  | 66%                   |

**Example 3:** A Group II Tier B member with at least 4 but less than 6 years of service on January 1, 2012, has a benefit multiplier of 2.2% per year. If this member ultimately retires under Service or Ordinary Disability retirement after working 24 years and receiving one year of service for time missed while receiving worker's compensation (for a total of 25 years of creditable service), the first 15 years of service accrue a multiplier of 2.2% and the subsequent 10 years of service accrue a multiplier of 2.5%.

15 years at 2.2% = 33% of average final compensation (AFC)

10 years at 2.5% = 25% of average final compensation (AFC)

Total = 58% of AFC

| AFC under previous law | AFC under current law |
|------------------------|-----------------------|
| 55%                    | 58%                   |

**Example 4:** A Group II Tier B member with less than 4 years of service on January 1, 2012, has a benefit multiplier of 2.1% per year. If this member ultimately retires under Service or Ordinary Disability retirement after working 26 years, the first 15 years of service accrue a multiplier of 2.1% and the subsequent 11 years of service accrue a multiplier of 2.5%.

15 years at 2.1% = 31.5% of average final compensation (AFC)

11 years at 2.5% = 27.5% of average final compensation (AFC)

Total = 59% of AFC

| AFC under previous law | AFC under current law |
|------------------------|-----------------------|
| 54.6%                  | 59%                   |

**Does this change apply to Group II, Tier C members hired on or after July 1, 2011.**

No.

**Does this change apply to Group II, Tier B members who retired prior to July 1, 2024?**

No. The benefits for these members were calculated under the law in effect when they retired and will not change.

**HB 1647 also references Accidental (job-related) Death benefits. How does the multiplier apply in this case?**

The benefit multiplier is not used in the calculation of Accidental Death benefits; the statutory death benefit is 50% of the Group II member's annual rate of earnable compensation at the date of the member's death.

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