



NHRS

New Hampshire Retirement System

NH RETIREMENT SYSTEM, 80 COMMERCIAL STREET, CONCORD, NH 03301
PHONE: (603) 410-3500; EMAIL: INFO@NHRS.ORG; WWW.NHRS.ORG

Salary Continuance

Compensation received by members through employer-funded salary continuance plans is considered earnable compensation to the extent attributable to employer funding, and is subject to the regular required member and employer contributions. See RSA 100-A:4,III-a, and RSA 100-A:16.

Group I (Employee and Teacher) and Group II (Police and Fire) members who are compensated by an employer-funded salary continuance plan (also referred to as a short-term or long-term disability plan), shall continue to accrue creditable service until the member returns to work, dies, retires, is no longer compensated by such salary continuance plan, or is no longer employed by the employer. Service credit is accrued when both the member and employer contributions have been posted to the member's NHRS record.

Here are answers to some frequently asked questions that employers and members may have concerning salary continuance.

What is an employer-funded salary continuance plan?

A salary continuance plan is a short-term or long-term disability plan. The plan is considered to be "employer-funded" when the cost of the disability plan premium is funded either wholly or partially by the employer. (If the salary continuance plan premium is funded wholly by the member, contributions are neither required nor permitted.)

Are salary continuance payments considered earnable compensation, and, therefore, subject to NHRS contributions?

Yes, but only to the extent attributable to the employer funding. For example, if the member's monthly compensation through the disability plan is \$1,000 per month, and the employer pays 60% of the premium cost, with the member sharing the other 40% of the cost, the member and employer contributions would be based on \$600.00 (60% of the \$1,000.00 per month).

How does the employer submit required contributions on the salary continuance amounts?

The employer must obtain the payment amounts from the disability plan provider and report them to NHRS. The employer submits salary continuance information on a monthly basis by completing the *Salary Continuance Reporting Form (ES-01)*.

How is the member portion of the contributions submitted to NHRS?

If the member contributions are not submitted with the employer contributions, NHRS bills the member directly for the required member contributions. Both the employer and member contributions must be remitted to NHRS for the member to continue to accrue creditable service and to maintain eligibility for certain NHRS benefits. If the member does not remit the required contributions, service credit will not be granted; the interest rate on the member's accumulated contributions may be reduced; certain death benefits may not be payable to the member's beneficiary; and the member may become ineligible for certain types of retirement benefits.

Are the contributions required even if the member is no longer on the employer's payroll?

No. Eligibility to accrue creditable service ends when the member is no longer employed by the employer, therefore no contributions are required.

Once the member retires and begins receiving an NHRS pension, if the employer-funded plan continues, does the requirement to remit member and employer contributions cease?

Yes. Please note, under some employers' disability plans, once a member begins to receive a pension, the member's monthly disability plan payment may be reduced. For more information on the coverage under the employer's disability plan and the impact of receiving a pension, a member should contact the employer.

The New Hampshire Retirement System (NHRS) is governed by New Hampshire RSA 100-A, rules, regulations, and Federal laws including the Internal Revenue Code. NHRS also implements policies adopted by the Board of Trustees. These laws, rules, regulations, and policies are subject to change. Even though the goal of NHRS is to provide information that is current, correct, and complete, NHRS does not make any representation or warranty as to the current applicability, accuracy, or completeness of any information provided. The information herein is intended to provide general information only, and should not be construed as a legal opinion or as legal advice. Members are encouraged to address specific questions regarding NHRS with an NHRS representative. In the event of any conflict between the information herein and the laws, rules, and regulations which govern NHRS, the laws, rules, and regulations shall prevail.